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ABSTRACT

School districts nationwide are experimenting with a range of reform options, one of which is private management of public schools. This General Accounting Office (GAO) report describes the early experiences of four school districts that contracted with private companies for management of their public schools. Specifically, the report describes: (1) what the private companies and school districts were required to do under the contracts; (2) what happened in the school districts as the contracts were being implemented; and (3) the impact of private-management efforts on students. The GAO visited the four school districts--Baltimore City Public School District (Baltimore, Maryland); Dade County Public Schools (Dade County, Florida); Hartford School District (Hartford, Connecticut); and Minneapolis School District (Minneapolis, Minnesota)--that had contracts with private, for-profit companies in school year 1994-95. The private companies were Education Alternatives, Inc. (EAI), and Public Strategies Group (PSG). GAO also reviewed the contracts and the reported school operating expenses and analyzed student-outcome data. The study found that responsibility and authority varied under the different contracts and that school districts' experiences in implementing private management differed. In Dade County and Minneapolis, officials reported that attendance rates improved. In Baltimore and Dade County, students received individualized instruction. In general, students had greater access to computers and attended better maintained schools. Despite the positive impacts, however, scores on standardized tests did not substantially improve in Baltimore, Dade County, and Minneapolis. Student outcomes were not yet available for Hartford. The GAO made no recommendations regarding the privatization of education. Four figures and 12 tables are included. Appendices contain methodological notes; statistical data; and comments from the four school districts, EAI, and PSG. Acknowledgments and a list of GAO contacts are included. (LMI)

GAO

Report to Congressional Committees

April 1996

PRIVATE MANAGEMENT OF PUBLIC SCHOOLS

Early Experiences in Four School Districts

ED 397 518

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United States
General Accounting Office
Washington, D.C. 20548

Health, Education, and
Human Services Division

B-259870

April 19, 1996

The Honorable Nancy L. Kassebaum
Chairman, Committee on Labor
and Human Resources
United States Senate

The Honorable Arlen Specter
Chairman, Subcommittee on Labor,
Health and Human Services,
Education, and Related Agencies
Committee on Appropriations
United States Senate

As you requested, we are providing our report about the early experiences of four school districts that contracted with private companies for management of their public schools.

As arranged with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days after its issue date. At that time, we will send copies of this report to the Secretary of Education, appropriate congressional committees, and other interested parties. If you have any questions about this report, please call me at (202) 512-7014 or Fred Yohey, Assistant Director, at (202) 512-7218. Other GAO contacts and acknowledgments are listed in appendixes IX and X.

Cornelia M. Blanchette

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Associate Director, Education and
Employment Issues

Executive Summary

Purpose

Troubled by children's low test scores, as well as their low attendance, promotion, and graduation rates, educators and parents have searched for ways to improve public schools. School districts nationwide are experimenting with a range of reform options, one of which is private management of public schools.

Because of their interest in school reform, the Chairman, Senate Committee on Labor and Human Resources; and the Chairman, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Senate Committee on Appropriations, asked GAO to provide information on the early experiences of school districts that contracted with private, for-profit companies for management of the public schools. Specifically, GAO was asked to describe (1) what the private companies and school districts were required to do under the contracts, (2) what happened in the school districts as the contracts were being implemented, and (3) the impact of private management efforts on school students.

To respond to this request, GAO (1) visited the four school districts—Baltimore City Public School District, Baltimore, Maryland; Dade County Public Schools, Dade County, Florida; Hartford School District, Hartford, Connecticut; and Minneapolis School District, Minneapolis, Minnesota—that had contracts with private, for-profit companies for school management in school year 1994-95 and (2) reviewed the contracts and reported school operating expenses and analyzed student outcome data.

Background

School districts have historically contracted with private companies for noninstructional services, such as student transportation, building maintenance, and food provision. Some school districts have also contracted with private companies for limited instructional services to specific student groups, such as at-risk children. To date, however, only a few districts have signed contracts with private companies for managing their public schools. More specifically, only four school districts had contracts with two private companies—Education Alternatives, Inc. (EAI) and Public Strategies Group (PSG)—to provide such services in the 1994-95 school year.

Results in Brief

The four school districts, which GAO visited, gave their private management companies varying authority and responsibilities. For

example, EAI had a 5-year contract with the Baltimore City Public School District to manage 9[1] of the district's 183 schools and a 5-year contract with the Hartford School District to manage all of the district's 32 schools. In contrast, EAI's 5-year contract with the Dade County Public School District gave the company authority to implement its instructional approach in only one of the district's schools. PSG, on the other hand, has a 3-year contract with the Minneapolis School District to provide leadership to the district, including a superintendent, and to achieve certain specific goals, such as improve students' test scores and attendance and reduce suspensions.

The districts' experiences during the implementation of the contracts also differed substantially. In Baltimore and Hartford, where opposition in the community was considerable, implementation was difficult, and the contracts were terminated or will be terminated before the expiration of their 5-year terms. In Baltimore, both the district and EAI cited the district's budgetary constraints as the reason for contract termination. Regarding the Hartford contract, EAI said it ceased services due to the district's failure to pay for services rendered in accordance with the contract. Hartford, on the other hand, said that the relationship broke down because EAI concluded that it would not operate under the contract as written. In contrast, in Dade County and Minneapolis, where opposition was virtually nonexistent, implementation was easier, and EAI and PSG, respectively, were generally able to implement their contracts. The Dade County contract expired in June 1995, and the Minneapolis contract remains in effect until December 1996.

In Baltimore, EAI implemented its instructional approach and changed spending patterns for the nine schools by spending more than the district had spent on facilities and computer hardware and software. In Hartford, EAI focused its management efforts on 6 schools and provided fax machines and copiers for the district's 32 schools. In Dade County, EAI also implemented its instructional approach, which included the use of computer technology and teacher training, in one school. In Minneapolis, PSG's president served as the superintendent, and the company partially achieved some of the goals specified by its contract.

Regardless of the status of the contract, these private management efforts yielded mixed results. Although scores on standardized achievement tests did not substantially improve in the three districts where test scores were

[1]Baltimore and EAI subsequently entered into three additional contracts, each for one school. However, GAO included only the first contract, which covered nine schools, in its study because this contract was the largest and was signed much earlier than the additional three.

available for analysis in all four districts, the private management companies made changes that benefited students. For example, student attendance improved in Dade County and Minneapolis. In addition, EAI's instructional approach, implemented in Baltimore and Dade County, placed teaching assistants—most of them with college degrees—in every classroom. Moreover, EAI also enhanced school building repair and maintenance and increased the number of computers in Baltimore and Hartford, giving students greater access to computers.

Principal Findings

Responsibility and Authority Varied Under Contracts

Under the contracts, private companies and districts had varying authority and responsibilities for managing schools. In Baltimore, EAI received the average per pupil allocation to manage 9 of the district's 183 schools and implement an instructional approach. With the money, allocated to EAI in monthly allotments, the company was to pay the costs of operating the nine schools, including employees' salaries and benefits, utilities, leasing costs, and repairs and maintenance. EAI was to keep any money left over after all school expenses had been paid as compensation for its services.

In Dade County, EAI agreed to raise over $2 million to implement its instructional approach in one of the district's schools. This money, which was controlled and disbursed by the district, was used to pay the cost of implementing EAI's instructional approach, including its consulting fee. EAI also helped the district in hiring a newly built school's principal and teachers. The district was responsible, however, for managing all other aspects of the school, such as its budget, food service, and building maintenance and repair.

Under the Hartford contract, EAI was to make recommendations for improving instruction. EAI was to also manage the operations of the 32-school district with the funds available under the district's school appropriation and grant money, including federal and state grants. EAI and Hartford, however, ultimately disagreed on the interpretation of many key contract provisions relating to the payment and control of funds.

Minneapolis' contract requires that PSG provide leadership services to the district. Specifically, PSG serves as the school district superintendent for a monthly fee of $5,000 and is compensated for achieving certain goals,

objectives, and assignments in the district's improvement agenda. For example, the agenda specified that PSG improve student test scores and attendance, reduce suspensions, enhance district leadership, and improve community trust in the district's schools. Except for the superintendent's salary, PSG is only paid when it completes assignments and meets the contract goals and objectives. PSG characterizes its contract as a "pay-for-performance" contract.

School Districts' Experiences in Implementing Private Management Differed

In implementing private management, Dade County's and Minneapolis' efforts were generally supported by such stakeholders as the school board and teachers union. In Dade County, where the contract expired in June 1995, EAI helped the district hire the principal and teachers for the school and implemented its instructional approach. In Minneapolis, which has a contract in effect until December 1996, PSG's president serves as the superintendent, and, during the first 18 months of the 3-year contract, PSG partially achieved some of the goals it was required to accomplish under the contract.

Both the Baltimore and Hartford districts faced opposition in the community to private management companies. For example, in Baltimore, the teachers union opposed EAI's requirement that teaching assistants have 90 college credits or be transferred to nonprivately managed schools. Citing budget constraints, the district terminated its contract with EAI in March 1996. In Hartford, where the district has announced that it will terminate its contract, resistance reached its peak when EAI submitted a budget proposal to eliminate a substantial number of teaching jobs.

Even with the opposition in the community, EAI was generally able to implement the Baltimore contract. The company reported spending about the same amount each year on direct operations for the nine schools as the district had reported spending during the year preceding the contract. However, EAI allocated funds differently by spending more on facilities and computers and less, in the first year of private management, on general and special education instruction.

In Hartford, the district and EAI agreed that EAI would prioritize its efforts in 6 of the 32 schools. Hartford, in responding to a draft of this report, stated that EAI suggested this six-school focus to achieve "showcase results quickly as a strategy to build community support." Hartford explained, however, that the district could not come to an agreement with EAI on new payment terms, and EAI was unwilling to continue to perform

under the existing contract. According to EAI, however, it ceased services to the district due to the failure of the Hartford district to pay it for services rendered in accordance with the contract.

Benefits From Private Management Efforts

School students enjoyed a number of benefits as a result of private management. In Dade County and Minneapolis, district officials reported that attendance rates improved. In addition, in Minneapolis, officials reported that suspension rates for all Minneapolis students in school year 1994-95 generally decreased from school year 1993-94. In Baltimore and Dade County, students received individualized instruction because EAI placed a teaching assistant, who usually had a college degree, in each class. In addition, in Baltimore, Dade County, and Hartford, students had access to more computers. In Baltimore, schools were cleaner and better maintained and repaired; EAI also painted the schools, improved heating and air conditioning, repaired bathrooms, and improved landscaping. To reduce energy costs, EAI also retrofitted lighting in the Baltimore schools. In Hartford, EAI was in the process of repairing school buildings and installing computers and computer labs in 5 of the district's 32 schools.

Despite the positive impact of private management efforts, one measure of student outcome—scores on standardized achievement tests—did not substantially improve in Baltimore, Dade County, and Minneapolis. Because the Hartford schools were in the early stages of contract implementation, student outcomes were not available for assessment.

Recommendations

GAO is making no recommendations.

School District and Company Comments

Comments on a draft of this report were requested from the Department of Education and the four school districts and two companies that were the primary focus of GAO's work. Only the Department of Education declined to provide comments. In general, the comments, which are addressed in chapter 5, clarified or provided additional information pertinent to issues discussed in the report. Changes have been made where appropriate. Appendixes IV through VIII contain the text of the comments.

Contents

Executive Summary		2
Chapter 1 Introduction		12
	Characteristics of School Districts Selecting Private Management	13
	Private Companies Bring Different Approaches to School Management	14
	Objectives, Scope, and Methodology	15
Chapter 2 Authority and Responsibilities Varied Under Private Management Contracts		19
	EAI Given Broad Authority to Manage Nine Baltimore Public Schools	19
	EAI Had Authority to Implement the Tesseract Instructional Approach in One Dade County School	20
	EAI Given Authority to Manage the Operations of Hartford District's 32 Schools	21
	The Minneapolis School District Contracted With PSG for Leadership and the Achievement of Specific Goals	22
Chapter 3 School Districts' Experiences in Implementing Private Management Contracts		23
	EAI, With Some Opposition, Was Generally Able to Implement Its Baltimore Contract	23
	EAI Unable to Fully Implement Its Contract With the Hartford School District	25
	EAI Met the Terms of Its Contract With Dade County Public Schools	26
	PSG Achieved Some of the Goals Specified in Its Minneapolis Contract	27
Chapter 4 Results of Private Management on Public School Education		28
	Attendance and Suspension Rates Improved in Some Districts	28
	Students Received Individualized Instruction, and Teachers Received Training	29
	Students Had Greater Access to Computers	29
	School Building Maintenance and Repairs Improved	29
	Companies Have Been Catalysts for Districts' Rethinking the Status Quo	29
	Impact of Private Management on Students' Standardized Test Scores	30

Chapter 5 GAO's Observations and Comments From School Districts and Companies

	32
School District and Company Comments	32
School Districts' Comments	33
Private Management Companies' Comments	33

Appendixes

Appendix I: Methodology Used in Baltimore Test Score and Attendance Analyses	36
Appendix II: Results of Baltimore Test Score and Attendance Analyses	43
Appendix III: Data Supporting the Baltimore Test Score and Attendance Analyses	50
Appendix IV: Comments From the Baltimore City Public School District	58
Appendix V: Comments From Dade County Public Schools	59
Appendix VI: Comments From the Hartford School District	60
Appendix VII: Comments From EAI	66
Appendix VIII: Comments From the Minneapolis School District and PSG	71
Appendix IX: Acknowledgments	75
Appendix X: GAO Contacts and Staff Acknowledgments	76

Tables

Table 3.1: Reported Operating Expenses in Nine Baltimore Schools Before and During Private Management	25
Table III.1: Pairs of Schools in the Analyses	50
Table III.2: Means and Effect Sizes, MSPAP Reading Scores	50
Table III.3: Ns and Variances for Effect Sizes, MSPAP Reading Scores	51
Table III.4: Means and Effect Sizes, MSPAP Math Scores	52
Table III.5: Ns and Variances for Effect Sizes, MSPAP Math Scores	53
Table III.6: Means and Effect Sizes, CTBS Reading Scores	54
Table III.7: Ns and Variances for Effect Sizes, CTBS Reading Scores	55
Table III.8: Means and Effect Sizes, CTBS Math Scores	56
Table III.9: Ns and Variances for Effect Sizes, CTBS Math Scores	57
Table III.10: Days Absent	57
Table III.11: Days Absent	57

Figures

Figure II.1: Longitudinal Analysis: CTBS Reading Scores 44
Figure II.2: Longitudinal Analysis: CTBS Math Scores 45
Figure II.3: Changes in CTBS Reading Scores 46
Figure II.4: Changes in CTBS Math Scores 47

Abbreviations

ANOVA	analysis of variance
CTBS	Comprehensive Test of Basic Skills
EAI	Education Alternatives, Inc.
MSPAP	Maryland State Performance Assessment Program
NCE	normal curve equivalent
PSG	Public Strategies Group

Introduction

School districts' contracting with private, for-profit companies reflects an increasing trend toward private management of public services and concerns about the quality of U.S. education. As a result, school districts nationwide are experimenting with a range of reform options, including school-based management,[2] charter schools,[3] and contracting with private companies for management of their public schools.

School districts have historically contracted with private companies for noninstructional services, such as student transportation, building and vehicle maintenance, and food provision. School districts have also contracted with private companies for limited instructional services to specific student groups, such as at-risk children. To date, however, despite considerable discussion, only a handful of districts have signed contracts with private companies to manage schools or school districts.

In some school districts, the decision to contract with a private company for school management followed years of frustration with school performance. School districts began contracting with private companies in the hope that they would (1) bring new ideas and a bold new direction to public schools and (2) do a better job of educating children.

Federal and state laws support innovative efforts to improve education. For example, under the Goals 2000: Educate America Act, enacted by the Congress in 1994, state education agencies may use federal funds for state planning and evaluation activities involving local efforts to contract with private management organizations to reform public schools. Some states have laws authorizing charter schools that permit private companies to enter the public education arena. Under such laws, private companies, teachers, school administrators, and other members of the community may propose, create, or manage a publicly funded school.

[2]For more information on school-based management, see Education Reform: School-Based Management Results in Changes in Instruction and Budgeting (GAO/HEHS-94-135, Aug. 23, 1994).

[3]Charter schools, which are authorized by state legislatures, are public schools that are created by parents, teachers, school administrators, and other members of the community. These schools have considerable autonomy and often operate free from such external controls as teachers' unions and district and state requirements. For more information on charter schools, see Charter Schools: New Model for Public Schools Provides Opportunities and Challenges (GAO/HEHS-95-42, Jan. 18, 1995).

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Characteristics of School Districts Selecting Private Management

In school year 1994-95, four school districts—Baltimore City Public School District, Baltimore, Maryland; Dade County Public Schools, Dade County, Florida; Hartford School District, Hartford, Connecticut; and Minneapolis School District, Minneapolis, Minnesota—had contracts with private companies for school management.[4]

Baltimore City (Maryland) Public School District

In Baltimore, 1 in 4 citizens is functionally illiterate. The average student is a poor, African American child living in a female-headed, single-parent household; he or she has not met state standards for test scores, has missed 1 in 5 days of school, and has only 1 chance in 2 of earning a high school diploma.

For its 183 schools, the Baltimore City Public School District spent an average of $5,948 per student in school year 1994-95. However, Baltimore spent $40,000 less per classroom than districts in the nearby Maryland suburbs. School officials believed that Baltimore's lower classroom funding level made it difficult for the district to address the low test scores, low attendance rates, and extremely high secondary school dropout rate.

Dade County (Florida) Public School District

The Dade County Public School District is an inner city district with a multicultural population. Foreign-born students enter the schools at a rate of 11,000 to 15,000 per year. Nearly 60 percent of the district's students have a native language other than English. In school year 1994-95, over half of the students received a free or reduced-priced lunch, an indicator of poverty.

For its 286 schools, the Dade County Public School District spent an average of $4,773 per student in fiscal year 1994-95. About 18 percent of the students drop out of school each year. In school year 1993-94, almost 40 percent of Dade County's students scored in the bottom quartile in reading on standardized tests.

Hartford (Connecticut) School District

Hartford is the poorest city in Connecticut. Nevertheless, the Hartford School District spent $8,688 per pupil in school year 1994-95, well over the national average of $5,170. Despite such funding, district officials believed the district lacked the resources to operate its schools in a "proper and

[4]In the 1995-96 school year, five additional public schools in Boston, Massachusetts; Mt. Clemens, Michigan; Sherman, Texas; Wichita, Kansas; and Wilkinsburg, Pennsylvania are receiving management services from private companies. This report does not discuss these districts' experiences.

efficient" manner. Teacher salaries, which averaged about $58,000 a year, consume a significant portion of the district's budget.

In the 32-school district, test scores are well below the state average. About 16 percent of students drop out each year; about 93 percent of students are minority. The district has 40 percent of the state's bilingual students and 16 percent of its students are special education students. In school year 1994-95, approximately 78 percent of Hartford students received free or reduced-price lunches.

Minneapolis (Minnesota) School District

The Minneapolis School District is in a large, multicultural city, which has undergone dramatic changes in ethnicity, race, and income during the past 20 years. In school year 1994-95, 36 percent of the families received benefits from Aid to Families With Dependent Children; 65 percent of children in first grade were eligible to receive free or reduced-price lunches.

In the Minneapolis School District, where the average per pupil expenditure was $6,408 in school year 1994-95, minority children account for 61 percent of the students. That number is projected to reach 70 percent by 1998. In school year 1994-95, 39 percent were African American children; 12 percent, Asian American; 4 percent, Hispanic American; 7 percent, Indian American; and 39 percent, white American. These children come from families in which over 70 different languages and dialects are spoken. Languages include Cambodian, Hmong, Lao, Russian, Spanish, Ukrainian, and Vietnamese, among others. The gap in test scores between minority and white students has persisted and is growing yearly.

Private Companies Bring Different Approaches to School Management

Two private companies—Education Alternatives, Inc. (EAI) and Public Strategies Group (PSG)—had contracts with school districts for school management in the 1994-95 school year. The companies differ in their approaches to providing services.

EAI's Approach

EAI's approach focuses on three aspects of the schools: education, facilities, and financial management. EAI has joined with three other companies—KPMG Peat Marwick, Johnson Controls World Services, Inc., and Computer Curriculum Corporation—to provide services to schools.

Collectively, they refer to themselves as the Alliance for Schools That Work. As the lead company of the alliance, EAI is responsible for overall school management and provides education management through its Tesseract[5] instructional approach. Major components of Tesseract include a personal education plan for each child, low adult-to-student ratios in the classroom, continuous training for teachers, active parental involvement, the use of computer technology in instruction, and special education inclusion.[6]

Other companies in the alliance provide additional services. KPMG Peat Marwick, the world's largest public accounting and consulting company, offers financial management assistance. Johnson Controls World Services, Inc., which has operated, maintained, and managed facilities for over a century, provides supervision and maintenance of buildings, energy use, transportation, and other noninstructional services for schools. Computer Curriculum Corporation, owned by Paramount Communications, the world's largest entertainment and educational publishing corporation, provides computer-based, instructional software.

PSG's Approach

PSG provides superintendent services for the Minneapolis School District. Its president functions as the Minneapolis School District's superintendent and leads a team of employees from PSG who help manage the school district. According to PSG, it focuses on helping schools in several ways, including improving performance. The company's stated goal is to develop current Minneapolis district administrators to take over the management of the schools when the company's contract expires.

Objectives, Scope, and Methodology

Because of their interest in school reform, the Chairman, Senate Committee on Labor and Human Resources, and the Chairman, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Senate Committee on Appropriations, asked that we provide information about the experiences of school districts that have contracted with private companies for management of their public schools. Specifically, we were asked to describe (1) what the private companies and school districts were required to do under the contracts, (2) what happened in the school districts as the contracts were being

[5]The word Tesseract, a registered EAI trademark, comes from a children's book, A Wrinkle in Time, by Madeleine L'Engle. In the book, the word is defined as a fifth-dimensional corridor leading to destinations otherwise beyond reach.

[6]Inclusion, as used by EAI, describes placing special education children in regular classrooms instead of self-contained classrooms. Classroom teachers are responsible for educating all students in the classroom.

implemented, and (3) the impact of private management efforts on students.

To obtain this information, we used several methodologies: contract reviews, site visits, and review and analysis of reported school operating expenses and student outcomes. We reviewed the contracts for and visited schools in the four districts that had contracts for school management with private, for-profit companies in school year 1994-95. Our study excluded the five additional districts that had signed contracts for private company management of schools in the 1995-96 school year because the districts either had not begun operating under the contracts or had only been doing so for a few months. Our study also excluded school districts with contracts for only highly specialized instructional services, such as teaching foreign languages or tutoring. Nor did we study districts that contracted solely for noninstructional services.

Site Visits

We visited the Baltimore City, Dade County, Hartford, and Minneapolis school districts. Three of these districts had contracts with EAI and one with PSG. By visiting only districts with contracts in effect for the 1994-95 school year, we were able to observe program implementation.

In each district, we talked to stakeholders—superintendents, school board members, private company officials, school administrators, city council members, teachers, principals, teachers union representatives, and parents. We asked about the changes that had taken place under the private company's direction, including services provided, difficulties in program implementation, and results to date. Except for the Minneapolis School District, where primarily superintendent services were provided, we visited privately managed schools.

Analysis of Student Outcomes

In the Baltimore City Public School District, which had the longest running and most comprehensive private management effort under way, we analyzed 4 years of data on student outcomes for seven of the nine privately managed public schools.[7] We reviewed data for 1 year before private management as well as for 3 years during private management. We matched each privately managed school with a similar[8] nonprivately

[7]Although the company managed nine schools, we limited our analysis to the seven elementary schools that included kindergarten through fifth grades because (1) more test score data were available for this group and (2) the pool from which to select a comparison school was larger.

[8]Schools were matched on the basis of demographics and test scores before private management.

managed school and then compared standardized student test scores and attendance. (See table III.1 in app. III for a list of schools in the analysis.)

We looked at only two areas for test scores, reading and math. For both areas, scores were available from routinely administered standardized tests. We used normal curve equivalent (NCE) scores from the Comprehensive Test of Basic Skills (CTBS) and, when available, outcome scale scores from the Maryland State Performance Assessment Program (MSPAP). (See app. I for a discussion of our selection of statistical procedures and technical details about the analyses.)

We used two types of analyses—longitudinal and cross-sectional—to compare student outcomes. In both types of analyses, we compared test scores and attendance measures of students attending the privately managed schools with those of students attending matched, nonprivately managed schools. In the cross-sectional analysis, we performed the comparison at the school level, analyzing each year separately, disregarding changes in the student population from year to year. In the longitudinal analysis, we limited the analysis to those students who were enrolled in a privately managed school (or its matched, comparison school) for the entire 3-year period. Students meeting this criterion were aggregated into a privately managed or nonprivately managed group for the analysis.

We did not conduct our own analyses of student outcomes for test scores and attendance in the Dade County or Minneapolis school districts. Instead, we used findings from evaluations conducted by the districts themselves, which sometimes included measures other than test scores and attendance (for example, suspensions). We did not analyze student outcome data for the Hartford School District, which was in the relatively early stages of implementation.

Analysis of Reported School Operating Expenses

Of the four school districts we visited, Baltimore City and Hartford were the only districts in which the company was to manage school or district budgets. Although Hartford was not far enough along in its budget implementation for a financial analysis, we did compare reported operating expenses for Baltimore for 1 year before private management with reported operating expenses for 2 years during private management.

To carry out our analysis, we obtained and reviewed reported operating expense data provided by the district and EAI. We could not, however,

determine the reliability of the expenses provided by the Baltimore district because audits were not done for individual schools. When we attempted to verify the EAI data, EAI would not provide the supporting documentation we needed. As a result, we based explanations for differences between reported operating expenses before and during private management solely on oral or written explanations from EAI and Baltimore City Public School District officials. However, for the nine Baltimore schools, we were able to reconcile EAI's fiscal year 1993 and 1994 expenses with its audited statements of cash receipts and disbursements.

We did our study between December 1994 and December 1995 in accordance with generally accepted government auditing standards.

Authority and Responsibilities Varied Under Private Management Contracts

The four school districts we visited gave private companies varying authority and responsibilities in managing their schools. Under the contracts, school districts also retained varying powers and responsibilities and compensated the companies in different ways. Except for the Minneapolis contract, however, the contracts that school districts had with private companies were similar in their lack of requirements for improving student outcomes, which are traditionally measured by test scores and attendance and graduation rates.

EAI Given Broad Authority to Manage Nine Baltimore Public Schools

In July 1992, the Baltimore City Public School District signed a 5-year contract with EAI that gave EAI broad authority and responsibility for managing 9[9] of the district's 183 schools. Under the contract, EAI was to (1) implement its Tesseract instructional approach, which included supplying computers for use as instructional tools and college-educated teaching assistants; (2) provide building maintenance and other noninstructional services; (3) manage the nine schools' budgets; and (4) determine school staffing levels for the nine schools with the approval of the school district superintendent. The district could terminate the contract upon 90 days' written notice.

The company had authority to discuss matters concerning the nine schools with union representatives and to participate in evaluating employees at the schools after obtaining the required approval. However, EAI could not reprimand or terminate any school system personnel. EAI also had authority to hire its own personnel to implement its Tesseract approach.

In managing the nine schools, EAI could either pay a subcontractor to provide noninstructional services or purchase them from the district; however, EAI could not subcontract for instructional services without the district's expressed agreement.

Annually, the Baltimore City Public School District was to pay EAI in 12 monthly installments, with the amount of each installment based on the district's historical expenditure patterns. The total payment to EAI was to be the districtwide average per pupil expenditure multiplied by the total number of students in the nine schools. With the money, which totaled $26.7 million in the first contract year, EAI was to pay the costs of operating the nine schools, including employees' salaries and benefits,

[9]Baltimore and EAI subsequently entered into three additional contracts, each for one school. However, we included only the first contract, which covered nine schools, in our study because it was the largest and was signed much earlier than the additional three.

utilities, leasing costs for computers and other equipment, and repairs and maintenance.[10] EAI paid the district $3.4 million to cover the nine schools' share of central support services provided by the district, leaving EAI $23.3 million for the direct operation of the schools.

Under this payment arrangement, EAI's payment for managing the nine schools was the difference between the total payment received from the school district—excluding interest earned and grant money—and the cost of operating the schools. For the first 2 years of the contract, EAI reported gross profits of $1.9 million and $3.3 million, respectively. According to an EAI official, these were gross, and not net, profits because they did not reflect time that EAI's corporate staff spent on contract matters.

EAI Had Authority to Implement the Tesseract Instructional Approach in One Dade County School

The Dade County Public School District's 5-year contract with EAI, which covered June 1990 through June 1995, gave the company the authority to implement its Tesseract instructional approach at Dade County's South Pointe Elementary School. However, EAI was to raise the money needed to implement the Tesseract program with the cooperation of the district. EAI was also to help the district hire the school's principal and its teachers. The district was responsible for managing all other aspects of the school, such as its budget, food service, and building maintenance and repair. The contract allowed the district or EAI to terminate the contract at the end of any academic year upon 90 days' prior written notice.

Under the contract, EAI agreed to raise over $2 million, of which $1.4 million was to be raised in the first 3 years. This amount was to supplement the funds the school ordinarily received from the district to provide school services. The district was to deposit the money that EAI raised under the contract into an interest-bearing account from which only the district could withdraw money. The money was to be used to pay for special staff needs, instructional materials and equipment, and EAI's out-of-pocket expenses and consulting fee.

[10]EAI was only responsible for the ordinary maintenance and repair of the nine schools. The district was responsible for major repairs or capital expense items, as well as repairs for asbestos-related conditions.

EAI Given Authority to Manage the Operations of Hartford District's 32 Schools

The Board of Education for the Hartford School District signed a 5-year contract with EAI in November 1994, which became retroactive to July 1994. Under the contract, EAI was to perform management and operations tasks necessary to achieve the goals of the district's strategic plan. EAI was to also assume responsibility for managing the operations of the 32 schools in the district while the Board of Education retained policy-making and ultimate decision-making authority. Unlike the Baltimore and Dade County contracts, the Hartford contract did not specify that EAI implement its Tesseract instructional approach. Rather, EAI was to recommend and implement enhancements to the educational program. In addition, the contract stated that over the 5-year term EAI expected to spend about $20 million on technology and software initiatives and $1.6 million on building improvements. EAI was also to recommend and, with approval of the Board of Education, implement enhancements to improve student performance, including staff training and student evaluation.

EAI was given authority to purchase materials and services from commercial sources and to make recommendations concerning staffing levels; organizational structures; and the hiring, assignment, duties, compensation, discipline, and discharge of district employees, including the superintendent. However, the Board of Education remained the final authority for all personnel and organizational structure decisions. The contract also allowed EAI to provide advice during negotiations with labor organizations, but the Board had the statutory responsibility for collective bargaining and administering contracts with labor organizations.

Under the contract, the district's entire annual school appropriation and all grant money (including federal and state grants), which totaled about $200 million in the first contract year, were to be used by EAI to manage the schools. EAI and Hartford, however, ultimately disagreed on the interpretation of many key contract provisions relating to payment and control of funds.

The district had the right to terminate the contract upon 90 days' written notice to EAI. EAI could also terminate the contract if it believed that the annual appropriation was insufficient to meet all contractual financial requirements.

The Minneapolis School District Contracted With PSG for Leadership and the Achievement of Specific Goals

In December 1993, the Minneapolis School District signed a 3-year contract with PSG. Under the contract, the district employed PSG to provide leadership to the district, including a superintendent. PSG's president was designated superintendent. The company was to implement the district's improvement agenda, which included, among other things, to improve students' test scores and attendance rates, instruction, and curriculum; reduce suspensions; enhance district management and accountability; and maintain community trust and involvement in the schools. As superintendent, PSG was responsible for the school district finances but within the district's budget and payable systems. The contract allowed the district or PSG to terminate the contract with 30 days' advance written notice.

Under the contract, PSG was to be paid a monthly fee of $5,000 for serving as superintendent. In addition, the company would receive additional compensation for achieving the objectives in the district's improvement agenda. PSG characterizes the contract as a "pay-for-performance" contract. For each goal or objective, the district established indicators, such as changes in test scores and attendance rates, that were intended to help the district assess the extent to which the goal had been achieved. The agenda could be amended from time to time to reflect additional goals and objectives.

School Districts' Experiences in Implementing Private Management Contracts

The four school districts that awarded private management contracts had different implementation experiences. The Baltimore and Hartford contracts proved difficult because of some opposition in the communities to private management of the public schools, while Dade County and Minneapolis implementation was easier because private management was generally supported.

EAI, With Some Opposition, Was Generally Able to Implement Its Baltimore Contract

In Baltimore, the mayor, superintendent, and, initially, the teachers union supported private management of the public schools. The school district selected for private management only those schools with principals who were interested in private management. In addition, the district gave teachers who did not want to teach in privately managed schools the option of transferring to other schools in the district. The teachers union, however, opposed EAI's requirement that teaching assistants[11] have at least 90 college credits.

The teaching assistants who did not meet this requirement were transferred from the privately managed schools to other schools in the district. EAI replaced these assistants with a larger number of teaching assistants, who usually had college degrees. The Baltimore teachers union protested the transfers as well as the replacements. The union contended that the original teaching assistants were valuable because they were experienced and from schools' neighboring communities and therefore provided inner-city children much needed relationships with familiar, trusted adults.

In addition, some people opposed EAI's special education inclusion model and the manner in which it was implemented.[12] One group who opposed the model believed that the real motive of EAI's special education inclusion program was to reduce the number of special education teachers and thereby reduce costs. In addition, a national teachers union questioned whether the decision to implement the inclusion model was in the children's best interest. To further complicate EAI's efforts to implement inclusion, the U.S. Department of Education found that EAI had not followed the procedures as required by the Individuals With Disabilities

[11]Baltimore refers to its teaching assistants as paraprofessionals while EAI refers to them as instructional interns.

[12]For a discussion of the advantages and disadvantages of such programs, see Special Education Reform: Districts Grapple With Inclusion Programs (GAO/T-HEHS-94-160, Apr. 28, 1994).

Education Act before changing special education students' placements by moving them to regular classrooms.[13]

Even with such opposition, EAI was able to generally implement its contract. However, with over 1 year remaining in the 5-year contract, the school district decided to terminate the contract effective March 1996. School district officials had tried to negotiate with EAI to reduce the amount of money EAI would receive to operate the nine schools because of unexpected districtwide expenses. EAI would not agree to the reduced amount, and the district decided in November 1995 to terminate the contract.

Our analysis of reported operating expenses before and during private management of the nine schools found that EAI spent about the same each year on direct operations as the district had spent in the year before the contract (see table 3.1). However, EAI allocated funds differently. In its first year, EAI spent less on general instruction and special education instruction but significantly more on facilities. In the second year, EAI's overall reported costs were similar to those of its first year, but, again, EAI allocated funds differently. EAI increased its spending for general instruction (primarily because of salary increases) but spent less than it had in the previous year on special education. EAI also spent less on facilities than it had in the previous year (primarily, according to an EAI official, because of the facility upgrading done during the first year), but the company continued to spend more than the district had previously spent on facilities.

[13]These procedures include having a meeting about the change in placement with parents, teachers, and other members of an educational management team. Baltimore and EAI, as a result, operated under a plan whereby they are required to correct all violations.

Table 3.1: Reported Operating Expenses in Nine Baltimore Schools Before and During Private Management

Dollars in millions

	Operating expenses		
Program category	Before private management (school year 1991-92)	First year of private management (school year 1992-93)	Second year of private management (school year 1993-94)
Teaching			
General instruction	$14.0	$13.2	$14.5
Special education instruction	2.3	1.2	1.0
Food services	1.1	1.1	1.1
Transportation	0.2	0.3	0.2
Facilities	2.8	4.4	3.8
Total	**$20.4**	**$20.2**	**$20.6**

Note: To make the figures comparable, we reclassified some categories. The table also excludes administrative overhead because we could not get comparable data from Baltimore for the year before private management.

EAI Unable to Fully Implement Its Contract With the Hartford School District

Although most school board members in Hartford supported private management of public schools, many in the district did not agree with them. The superintendent, for example, had several concerns about the district's decision to enter into a contract with EAI. The teachers union, as well as other unions, opposed private management from the onset, possibly at least in part because they viewed EAI as a vehicle for reducing teaching jobs.

Opposition reached its peak when EAI submitted a budget proposal for school year 1995-96 that would have eliminated a substantial number of teaching positions. EAI wanted to cut teacher costs and use the savings to help fund technology initiatives specified in the contract, as well as invest in clean and safe schools, implement site-based management, and improve instruction. However, most school board members would not support the reduction in teachers. In commenting on a draft of this report, EAI said that it believed that such a cut was warranted, saying school district teacher-pupil ratios, determined by the district's contract with the teachers union, had resulted in a system that was "overstaffed by millions of dollars of personnel." According to Hartford, the cuts would have resulted in

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massive violations of class size limitations contained in the district's agreement with its teachers union.

During the first year of the contract, the district and EAI agreed that EAI would prioritize its efforts in 6 of the 32 schools. Hartford, in responding to a draft of this report, stated that EAI suggested this six-school focus to achieve "showcase results quickly as a strategy to build community support." EAI was to provide specific education management services to the six schools. These services included (1) training teams of staff for site-based management in five schools and one adult learning center and (2) providing technology improvements, such as computers. In January 1996, however, Hartford announced that it would terminate its contract with EAI. According to Hartford, the relationship broke down and the contract will be terminated because EAI concluded that it would not operate under the contract as written. EAI, on the other hand, said that it ceased services to Hartford due to the district's failure to pay it for services rendered in accordance with the contract. In its 1995 annual report to its stockholders, EAI stated that it had recorded costs totaling $5.5 million for the Hartford contract but acknowledged uncertainties about whether the district would reimburse it.

EAI Met the Terms of Its Contract With Dade County Public Schools

The Dade County School Board and the teachers union supported EAI's Tesseract program for one of the county's newly constructed public schools. EAI also helped the district hire the school's principal and teachers, helping to ensure the support of those who would implement the program.

EAI raised $1.4 million of the over $2 million agreed to under the contract and was able to implement its Tesseract instructional approach. The company also received in-kind donations estimated at about $285,000. Most of the money raised was used to pay for teaching assistants' salaries and computer hardware and software.

Dade County officials said that they were generally pleased with EAI. The contract expired in June 1995 but was not renewed. According to district officials, EAI wanted a larger role in school management, but the district would not agree to this.

PSG Achieved Some of the Goals Specified in Its Minneapolis Contract

The Minneapolis school board unanimously agreed to sign the contract with PSG amid general support for the company serving as school superintendent. District officials, however, did not view this decision as private management of their schools. The school board's search for a superintendent was the same one used to select previous superintendents. This time, however, the board encouraged nontraditional candidates—those without training or experience in education—to apply.

PSG's president was a well-known member of the Minneapolis community. He had previously served as a consultant to the district and had been instrumental in improving financial management in the district's schools.

As of June 1995, after 18 months of the 3-year contract, the Minneapolis School District determined that PSG had partially achieved some of the goals and paid PSG 66 percent of the $716,500 that PSG was to receive under the contract if it had fully achieved each goal. For example, the company was paid when the suspension rate dropped, attendance increased, and families' involvement in their children's education increased. PSG was also paid when it developed baseline measures for assessing student performance, identified the predictors of effective teaching, and developed a strategic plan for the district. It was not paid, however, when student test scores did not improve or when it did not negotiate the teachers' contract to the district's satisfaction. The contract with PSG remains in effect until December 1996.

Results of Private Management on Public School Education

Regardless of whether private companies fulfilled their contract obligations, we found that contract services yielded some benefits for students in all four districts. For example, students received individualized instruction and had greater access to computers and cleaner school buildings. In addition, private management companies have served as catalysts for districts' rethinking of the status quo.

Despite the positive impact of private management efforts, however, one measure of student outcome—scores on standardized achievement tests—did not substantially improve in Baltimore, where we analyzed test scores. Similar results were also reported in Dade County and Minneapolis. Hartford test score data, however, were not available for analysis at the time of our review.

Attendance and Suspension Rates Improved in Some Districts

In Dade County and Minneapolis, attendance rates improved; in Minneapolis, suspension rates declined. According to a Dade County internal evaluation, after 2 years of private management,[14] attendance in the privately managed elementary school improved significantly compared with another similar school in the district: Absences declined an average of 1.6 days per student, from 10.5 in school year 1990-91 to 8.9 in school year 1992-93.[15]

The Minneapolis School District reported slight districtwide improvements in attendance. Attendance rates increased from 90.5 percent in school year 1993-94 to 90.7 percent in school year 1994-95, according to district officials. Suspension rates for all students in school year 1994-95 decreased in 7 of 10 months compared with school year 1993-94. The decrease in suspensions, a PSG contract goal, is a result of a change in how student discipline is managed, district officials said.

Our analysis of attendance rates for Baltimore showed that they did not improve for students in the privately managed schools compared with the rates for students in the nonprivately managed schools. (See app. II for the details on our Baltimore attendance rate results.)

[14]Evaluation of the Saturn School Project at South Pointe Elementary School, Dade County Public Schools, Office of Educational Accountability (Miami, Fla.: 1994).

[15]According to the Dade County evaluation, these results were found to be statistically significant. No follow-up studies have been conducted to determine if the gains in attendance were sustained.

Students Received Individualized Instruction, and Teachers Received Training

In Baltimore and Dade County, EAI implemented its Tesseract instructional approach, resulting in more individualized instruction and additional teacher training. For example, in Baltimore, as part of its Tesseract approach, EAI said it removed desks and replaced them with tables to facilitate teacher-student and student-student interaction. EAI also provided weekly teacher training in its Tesseract approach, which included training in the Tesseract philosophy and implementation, instructional technology, and leadership.

Students Had Greater Access to Computers

The Baltimore, Dade County, and Hartford contracts specified that EAI provide computers. In Baltimore, for example, EAI leased about 1,100 computers for the nine schools. A typical classroom had four networked computers, and each school had one or more computer labs. EAI also provided fax machines, copiers, and telephones for teachers in their classrooms. In Hartford, EAI's strategy was similar. EAI installed computer labs in 5 of Hartford's 32 schools. EAI also said that it provided copiers and fax machines for all 32 schools.

School Building Maintenance and Repairs Improved

In Baltimore and Hartford, EAI provided school building repair and maintenance. In Baltimore, officials told us that the nine schools were cleaner as well as better maintained. EAI spent money to paint the schools, improve heating, and install air conditioning. In addition, EAI spent money on bathroom repair and plumbing, fence repair, landscaping, and preventive maintenance. The company also retrofitted lighting in the nine schools, which brightened classrooms and is expected to reduce energy costs. In Hartford, EAI completed several types of repairs throughout the district, concentrating on six of the district's schools.

Companies Have Been Catalysts for Districts' Rethinking the Status Quo

Private companies have served as catalysts for school districts' rethinking and challenging the status quo. In Baltimore, the superintendent said that the entire school district has become more competitive because of EAI's presence. For example, he said that other schools—concerned that functions, such as maintenance, would be contracted out—are doing a better job in those areas. He also said that the schools are operating in a more business-like manner.

In Dade County, the district is seeking ways to continue to have college-educated teaching assistants in classrooms, although the contract

with EAI has expired. In this case, district officials sought to continue an EAI innovation.

In Hartford, some district officials were concerned that teachers' salaries consumed too much of its budget and asked EAI to help it negotiate the teachers' contract. EAI succeeded in helping to secure a zero increase in the teachers' salaries for 1 year.

In Minneapolis, the school board hired what it considered to be a nontraditional superintendent—a private company. In addition, PSG's president, who serves as the school district superintendent, does not have the traditional background in education. This may change the way district officials view future candidates for superintendent, officials stated.

Impact of Private Management on Students' Standardized Test Scores

In the Baltimore and Dade County privately managed schools—scores on standardized achievement tests, a traditional measure of student learning, showed no improvement when the scores were compared with those in other comparable schools. Similarly, in the Minneapolis district, scores on standardized achievement tests did not improve. For Hartford, test score data were not yet available because the district was still in the early stages of implementation.

In our own test score analyses of Baltimore schools, we found little or no difference between scores of students in privately managed schools compared with students in other similar schools. In general, scores tended to be significantly lower in privately managed schools in the 1992-93 school year, during the year in which private management was beginning in Baltimore, compared both with school year 1991-92 scores and with scores of other similar schools. During the second and third years of private management, however, scores in privately managed schools increased, so that by the end of the 1994-95 school year, little or no difference remained between scores of students in privately managed and other similar schools. (See app. II for the details on our Baltimore test score results.)

Dade County's evaluation of EAI's Tesseract instructional approach, after 2 years, showed no improvement in test scores compared with another similar Dade County school.[16] Although test scores of students in the privately managed schools improved, they improved at a rate similar to that of students in the comparison school. In Minneapolis, children's test

[16]Evaluation of the Saturn School Project at South Pointe Elementary School.

scores showed no improvement after 2 years under private management. In fact, the learning gap between minority and nonminority children widened, according to the district. Thus, in Minneapolis, PSG did not achieve two of its goals—improving test scores of all children and narrowing test scores between minority and nonminority students.

Although standardized achievement tests provide a widely accepted measure of student learning, they do not measure attainment of the entire range of educational objectives. Standardized achievement tests tend to measure core skills and knowledge common to the curricula of most states, not necessarily the curricula of particular classrooms or districts and not more abstract forms of learning. Thus, such tests may not measure a child's creative thinking, values, and sense of personal and community responsibility—all qualities parents and teachers we interviewed mentioned as important educational goals. In some districts, some parents and teachers said they saw positive effects on children in privately managed schools, even though standardized test score results did not improve.

In addition, standardized achievement tests tend to be better suited to measuring the cumulative effects of instruction; thus, it may take several years before improved learning is reflected in standardized test scores. This may partly account for the lack of overall improvement in test scores in Baltimore, Dade County, and Minneapolis.

GAO's Observations and Comments From School Districts and Companies

To improve educational outcomes for their students, school districts in Baltimore, Dade County, Hartford, and Minneapolis contracted with private, for-profit companies to manage individual schools or entire school districts. These contracts reflected considerable variation in the authority and responsibilities school districts were willing to give these private companies. For example, EAI was to focus its instructional approach in only one school in Dade County but was to manage the entire Hartford School District.

Our work suggests that implementing the contracts was more difficult in some school districts than in others because the companies faced more community opposition. The level of opposition appeared to depend on the extent to which groups in the community perceived themselves as losing something. The strongest opposition occurred in Hartford, where the company was viewed as a vehicle for reducing the number of teachers. On the other hand, companies faced almost no opposition in Dade County, where private management was used in a new school for which teachers and staff had not been hired, or in Minneapolis, where the private intervention involved primarily the superintendent position.

Although scores on standardized achievement tests did not substantially improve in the three districts where test scores were available for analysis, in all four districts, the private management companies made changes that benefited students. For example, students enjoyed individualized instruction, greater access to computers, and improved building maintenance and repair.

In the end, three of the four contracts had either expired, been terminated, or were in the process of being terminated. In Baltimore, the cited reason for contract termination was budget constraints. In Hartford, the company cited the district's failure to pay for services rendered in accordance with the contract; the district cited the unwillingness of the company to operate under the contract as written as the reason for the impending contract termination. The Dade County contract expired at the end of its 5-year term. The Minneapolis contract remains in force until December 1996.

School District and Company Comments

A draft of this report was provided for review and comment to the Department of Education as well as the school districts (Baltimore City, Dade County, Hartford, and Minneapolis) and companies (EAI and PSG) that were the primary focus of our work on private management of public schools. Only the Department of Education declined to provide comments.

In general, the comments clarified or provided additional information pertinent to issues discussed in the report.

School Districts' Comments

Baltimore's Superintendent of Public Instruction stated that he and his staff had no recommended changes or concerns about the report's contents. The superintendent added that much was learned from the district's experience with private management, although Baltimore's relationship with EAI had ended. According to the superintendent, the district plans to continue to implement EAI strategies and programs, which he said have proven successful and beneficial to students.

The Dade County School Board provided several technical comments that we incorporated in the report where appropriate.

The Hartford Board of Education provided its interpretation of the fundamental structure and essential terms of its private management contract with EAI. As noted in our report, the Hartford district and EAI disagree on the interpretation of many key contract provisions.

The Hartford School District also commented that neither opposition nor the district's budgetary problems prevented EAI from implementing the contract. We modified the report to reflect the district's view. The district also made several technical comments that we incorporated throughout the report where appropriate.

Comments from the Minneapolis School District were incorporated in the comments provided by PSG. PSG's comments are discussed in the following paragraphs.

Private Management Companies' Comments

EAI was particularly concerned that we used spring 1992, rather than spring 1993, test score results to determine the base year for measuring the academic performance of Baltimore students based on the Comprehensive Test of Basic Skills (CTBS). In explaining its preference for using spring 1993 test score results, EAI stated that its first priority after it was awarded the Baltimore contract in July 1992 was to focus on failures of the physical plant and safety issues. According to EAI, initial resistance to staff development programs also hindered progress in implementing improved instructional techniques. In addition, it took until February 1993 to install approximately 1,100 computers in the nine Baltimore contract schools. Because the CTBS test was again given in March 1993, EAI believes

that the spring 1993 testing date is a far more accurate baseline date than is March 1992.

We disagree with EAI's position on this issue and believe that 1992 is the appropriate baseline year. Using spring 1992 scores as a baseline provides a benchmark of student performance immediately before EAI's assuming management in the fall of 1992. Our goal was to assess changes in student performance that occurred while these schools were under EAI management. Using 1993 scores as the baseline ignores the impact of the first year of EAI management and thus fails to assess the entire experience.

EAI also maintained that we failed to note the results of the Maryland State Performance Assessment Program (MSPAP) in our report. MSPAP is a test that measures student performance on tasks that require critical thinking, high-level problem solving, and the integration of knowledge. Our analyses do include MSPAP test scores to the extent they were available, and these results are discussed in appendix II of the report. EAI also made several technical comments that we incorporated in the report where appropriate.

In PSG's comments, which also included comments from the Minneapolis School District, the company discussed the issue of accountability. In PSG's view, its willingness to be accountable for the results it produces for the entire school district is the key to building accountability throughout the rest of the local system. In this regard, the company believes accountability must be adopted by stakeholders throughout the educational system, including teachers in their classrooms, principals in their schools, and parents and community members. Accountability throughout the system is imperative, PSG believes, for students to succeed.

PSG also provided technical comments on the information contained in our draft report that we incorporated as appropriate. The most significant point on which we disagree with PSG concerns payment for superintendent services. Our report states that PSG was to receive a monthly fee of $5,000 for serving as superintendent. PSG said that, instead, the fee for superintendent services is paid on a pay-for-performance basis; that is, it would only be paid if the district were satisfied with PSG's progress as superintendent. Because we found no such qualifications in our analysis of the PSG contract, we did not change that statement in our report.

Methodology Used in Baltimore Test Score and Attendance Analyses

This appendix discusses the methodology used in analyzing standardized test score and attendance data of seven privately managed schools in the Baltimore City Public School District.[17] It also presents general limitations of the study and defines terms used in the report.

A number of individuals with educational, statistical, or methodological expertise assisted us in various portions of our test score and attendance analyses. (See app. IX for the names and affiliations of these people.)

Methodology

Using student data provided by the district's Accountability Office for the school year before private management (1991-92), we statistically matched each privately managed school with a similar district-managed school. Students in the latter schools served as a comparison group for two types of analyses: (1) a longitudinal analysis, which analyzed test scores and attendance of students who remained in the same school for the entire 3-year period (1992-93 through 1994-95), and (2) a cross-sectional analysis, which analyzed test scores and attendance of students on a year-by-year basis without regard to changes in student population from one year to the next. For all statistical tests, we rejected the null hypotheses if the observed significance levels were less than .05.

We limited our test score analyses to the areas of reading and math. We extracted from the district's data files reading and math scores as dependent measures from routinely administered achievement and performance tests. For the 1991-92 through 1994-95 school years,[18] we used normal curve equivalent (NCE) scores for reading and math from the Comprehensive Test of Basic Skills (CTBS). In addition, for students in third and fifth grades, we used reading and math outcome scale scores from the Maryland State Performance Assessment Program (MSPAP) for school years 1992-93 and 1993-94.[19]

We used the number of days the student was absent for the year as the dependent variable in the attendance analyses. We standardized this

[17]We limited our analysis to the seven elementary schools that included kindergarten to fifth grades because more test score data were available for this group and the pool from which to select a comparison school was larger. (See table III.1 in app. III for a list of these schools.)

[18]We used 1991-92 data in selecting the comparison schools and as covariates in the longitudinal analyses.

[19]Data were available for MSPAP only for school years 1992-93 and 1993-94. Only students in third, fifth, and eighth grades participate in the assessment.

variable by taking the ratio of days absent to days on roll and projecting number of days absent to a 180-day school year.

We included in our analyses students enrolled in the selected privately managed or comparison schools who met the following criteria: (1) they had been on the rolls of the school at least 170 days of the school year and (2) they were not identified as receiving special education services greater than intensity level 3.[20] Students were excluded from test score analyses if they had no score on the particular outcome (for example, CTBS reading score) used in the analysis.

Selecting the Comparison Schools

We used the Statistical Package for the Social Sciences k-means clustering procedure to match each privately managed school with a similar district-managed school. Matching was done on the basis of the following school characteristics: enrollment, attendance rate, promotion rate, racial composition of student body, proportion of students receiving free/reduced lunch, proportion of special education students, mobility rate, and CTBS scores. The clustering procedure compared the characteristics of the schools and calculated a "distance" measure to represent the similarity between the cluster center (that is, the privately managed school) and each of the other schools. We selected as the comparison school the school identified as being closest (that is, with the smallest distance measure) to the privately managed school.

The Longitudinal Analysis

The longitudinal analysis assessed test scores and attendance of students enrolled in a privately managed or comparison school in the 1992-93 school year and who remained in that school through the 1994-95 school year. For these analyses, we combined school populations to form a single group of students from privately managed schools and a single group of students from comparison schools.

We performed separate analyses for reading, math, and attendance. The groups for the reading analysis consisted of 689 students in the privately managed group and 733 in the comparison group. For the math analysis, the privately managed group had 470 students, and the comparison group had 488 students. The attendance analysis consisted of 870 privately managed school students and 855 comparison students.

[20]See "Definitions of Terms" in this app. for an explanation of intensity level 3.

We used a repeated measure analysis of variance (ANOVA) technique to provide the overall test of group effect for the longitudinal analyses. The repeated measure ANOVA procedure produces an omnibus test of significance that adjusts for the increased probability of Type I error (that is, concluding that the groups in question are different when in reality they are not) inherent in multivariate designs.

Although schools were matched on the basis of data from the school year immediately preceding private management (1991-92), attrition that occurred in school years 1992-93 through 1994-95 threatened the equivalency of the surviving student groups. To mitigate this threat, we used 1991-92 data as covariates in each of the longitudinal analyses to provide statistical adjustment for nonequivalence introduced by attrition. Since the covariate adjusted for main effects only, means used in discussion of year-to-year changes do not reflect this adjustment.

Because longitudinal analysis focuses on changes in an individual student's performance over time, it is well suited for assessing educational interventions that may impact outcome measures slowly or over a longer period of time. However, because the analysis included only that subset of students who remained in the same school for the 3-year period, results are not necessarily generalizable to the relatively large proportion of the district's students who are more mobile and may change schools one or more times during a school year.

The Cross-Sectional Analysis

The cross-sectional analysis compared student test scores and attendance for each year of the private management contract (1992-93 through 1994-95), without regard to changes in the student population from year to year.

We performed cross-sectional test score analyses at the school level. One-way ANOVA was used to compare reading and math scores of students in each pair of schools. We used means and variances from these analyses to compute effect sizes, which were then cumulated to provide summary findings. (See tables III.3, III.5, III.7, and III.9 in app. III for group sizes used in these analyses.)

To perform the cross-sectional attendance analyses, we combined school populations to form a single group of students from privately managed schools and a single group of students from comparison schools. (See table III.11 in app. III for group sizes for these analyses.)

Cross-sectional analysis does not take into account changes in individual students' scores. Instead, it compares the averages of students in the two matched schools for each year under study. Cross-sectional analysis is more sensitive to detecting short-term effects of educational changes and is commonly employed to provide descriptive information about school performance.

Interpretation and Computation of Effect Sizes

Interpretation of Effect Sizes

Effect sizes (referred to as "d" in the computation formula) are measures of the overlap between the distributions of the experimental and control groups when the underlying scale has been standardized so that σ equals 1. Thus, in this study, d can be translated into the proportion of comparison school scores that are less than (or more than) the average score in the privately managed school.[21]

An effect size of zero means that the average score in the comparison school was equal to the average score in the privately managed school, or, alternatively, the scores of 50 percent of students in the comparison school were higher than the average score in the privately managed school. A negative effect size means that the scores of more than 50 percent of students in the comparison school were higher than the average student in the privately managed school; a positive effect means that fewer than 50 percent of students in the comparison group scored better than the average student in the privately managed group.

As with other estimates, an effect size must be interpreted on the basis of two factors: (1) the confidence with which the estimate is made and (2) the practical importance of an effect of this size.

Tables III.2 through III.9 in appendix III show the computed effect sizes and variances. Indications of statistical significance were based on a 95-percent confidence interval.

Once statistical significance of the estimate has been established, the issue of practical importance must be considered. Judgments about practical importance are typically made relative to the experimental context and the

[21]L.V. Hedges and I. Olkin, Statistical Methods for Meta-Analysis (San Diego: Academic Press, Inc., 1985), p. 76.

standards that have been established in that particular field. In educational research, effect sizes of .5 have been offered as a conventional measure of practical significance.[22] The National Institute of Education's Joint Dissemination Review Panel suggested that usually an effect size of .33, but at times as small as .25, may be considered educationally significant.[23] To recognize relatively small effects, we chose to target our discussions to effects of .25 or greater.

Computation of Effect Sizes

To aid in interpreting findings and aggregating results, effect sizes were computed for each finding[24] using the formula

$$d = \frac{(Y^E - Y^C)}{s} \left(1 - \frac{3}{4N - 9}\right)$$

where Y^E is the mean of the experimental group (privately managed schools), Y^C is the mean of the control group (comparison schools), and s is the pooled standard deviation. Variances were calculated for the individual effects by the following formula:

$$\hat{\sigma}^2(d) = \frac{n^E + n^C}{n^E n^C} + \frac{d^2}{2(n^E + n^C)}$$

Effect sizes were cumulated using the following method that gives greater weight to those individual effects having lower variances:

$$d_+ = \sum_{i=1}^{k} \frac{d_i}{\hat{\sigma}^2(d_i)} \Big/ \sum_{i=1}^{k} \frac{1}{\hat{\sigma}^2(d_i)}$$

Confidence intervals for effect sizes were computed using the following standard formulas:

$$\delta_U = d_+ + 1.96\ \hat{\sigma}\cdot(d_+)$$

$$\delta_L = d_+ - 1.96\ \hat{\sigma}\ (d_+)$$

General Limitations of the Study

Assessing the impact of program change in a field setting is extremely difficult. Any study that attempts to do so encounters problems such as the following:

[22]P. Rossi and S. Wright, "Evaluation Research: An Assessment of Theory, Practice and Politics," Evaluation Quarterly, Vol. I (1977), pp. 5-52.

[23]G.K. Tallmadge, The Joint Dissemination Review Panel Ideabook (Washington, D.C.: National Institute of Education and U.S. Office of Education, 1977).

[24]For more information, see Hedges and Olkin, pp. 75-106.

- No random assignment to groups. We could not randomly assign students to a treatment or control group to ensure initial equivalency of the groups. We attempted to adjust for this shortcoming by selecting comparison schools matched as closely as possible on relevant characteristics and by using statistical techniques (for example, covariate analysis) to control for initial differences on key characteristics.
- Lack of experimental control. The independent variable could not be well defined and may have differed from school to school. The independent variable in this study was the type of school management, privately managed or district managed. However, this variable was operationalized in somewhat different fashion from school to school as teachers and principals implemented the Tesseract approach under somewhat different circumstances and with varying levels of enthusiasm.

  For example, some interviewees told us that veteran teachers tended to resist implementing the Tesseract approach. On the other hand, a number of the newer teachers we interviewed were enthusiastic about it. We were told in one school that teachers were given a great deal of flexibility in deciding which parts of the approach to use in their classrooms. Thus, a great deal of variability may have existed in the operationalization of private management from school to school.

- Attrition. Students in these schools were highly mobile, so loss of subjects affected these analyses. The long-term effects of program change may take several years for student scores to fully reflect them and so may be difficult to measure with highly mobile students, as are students in Baltimore City Public Schools.
- Measurement difficulties. Standardized achievement tests, such as the ones used to provide the dependent variables in these analyses, are widely accepted as measures for use in educational evaluations; however, they have shortcomings when used for this purpose. One of the major criticisms of using standardized tests for evaluating educational programs is that they may not be capable of measuring mastery of the specific objectives of the instructional program being evaluated; rather, they measure more general skills and knowledge. Thus, standardized tests may be relatively insensitive to detecting specific gains, especially in the short term.

  Furthermore, school personnel and parents associated with schools in this study mentioned broad goals as some of the desired outcomes of educational changes. For example, they wanted students to become better citizens, become self-directed learners, and show improved general

problem-solving abilities. In general, standardized test scores are not intended for, nor well suited to, measuring these broader goals.

Definitions of Terms

Comprehensive Test of Basic Skills (CTBS)	A standardized achievement test given annually to all students in kindergarten through fifth grade in the Baltimore City Public School District that measures basic skills in reading, language, spelling, math, study skills, science, and social studies.
Days Absent	A variable constructed from student attendance records to standardize the attendance base to a full school year. We calculated an absentee rate by dividing days absent by days on roll, then projected this rate to a 180-day school year basis.
Maryland State Performance Assessment Program (MSPAP)	Assessments given in third, fifth, and eighth grades in reading, writing, language usage, math, social studies, and science. These tests measure student performance on tasks that require critical thinking, high-level problem solving, and the integration of knowledge.
MSPAP Outcome Scale Score	A version of the MSPAP outcome score described in the 1994 Score Interpretation Guide for MSPAP as "directly comparable across outcomes in the same content area, across years, and to the MSPAP proficiency levels. These scores are expressed on the MSPAP scale score scale and range, as do the content area scale scores, from 350 to 700."
Normal Curve Equivalent (NCE)	A normalized version of a test score often used for federal reporting purposes. These scores have a mean of 50 and a standard deviation of about 21. The values of 1, 50, and 99 on this scale coincide with percentile ranks of 1, 50, and 99; but other values do not coincide.
Special Education, Intensity Level 3	One of six levels describing intensity of special education services available. Students classified as Level 3 may receive special educational services not to exceed an average of 3 hours per school day.

Results of Baltimore Test Score and Attendance Analyses

This appendix discusses the results of our analyses of achievement and attendance data conducted on selected privately managed schools in the Baltimore City Public School District.[25] (For a discussion of the methodology used in these analyses, see app. I.)

Test Score Analyses

Our test score analyses of Baltimore's schools indicated that, overall, test scores of students attending privately managed schools were similar to those of students attending the matched, district-managed, comparison schools. Although schools varied in some of the analyses, overall, we found little difference between test scores in privately managed and comparison schools.

Longitudinal Analysis

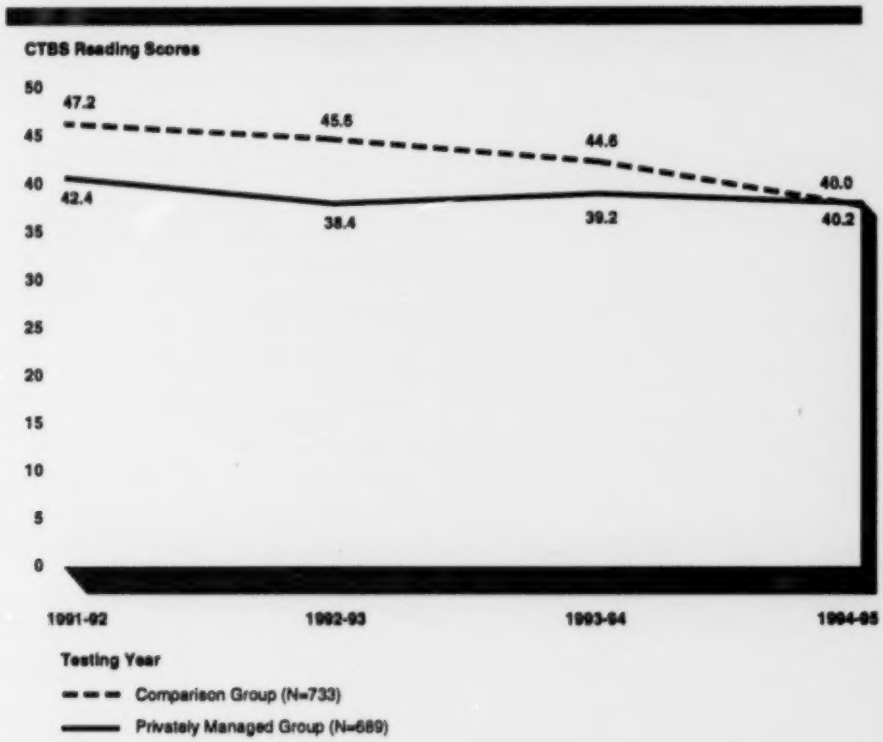
The longitudinal analysis, which tracked the group of students who remained in the same school during the 3-year period (1992-93 through 1994-95), showed overall test score results in reading and math to be similar between students in privately managed and comparison schools after adjusting for the presence of initial difference.[26] Reading and math scores for both groups declined over the 3-year period compared with 1991-92 scores. For students in privately managed schools, these scores sharply declined in 1992-93 (the implementation year), followed by increases the next 2 years. Scores of students in comparison schools, on the other hand, declined less sharply in 1992-93 but continued to decline in each of the next 2 years. Figure II.1 shows that reading scores showed this pattern.[27]

[25]The University of Maryland, Baltimore County, conducted an evaluation of the privately managed schools in Baltimore that included test score and attendance analyses. Those findings generally agreed with the results presented here.

[26]Although schools were matched for this analysis on the basis of 1991-92 characteristics, the equivalency of the groups was affected by attrition over the 3-year period. To compensate for this fact, we used 1991-92 test score and attendance data as a statistical control for this inequality.

[27]Means for individual years shown in figs. II.1 and II.2 have not been adjusted for variance accounted for by 1991-92 scores.

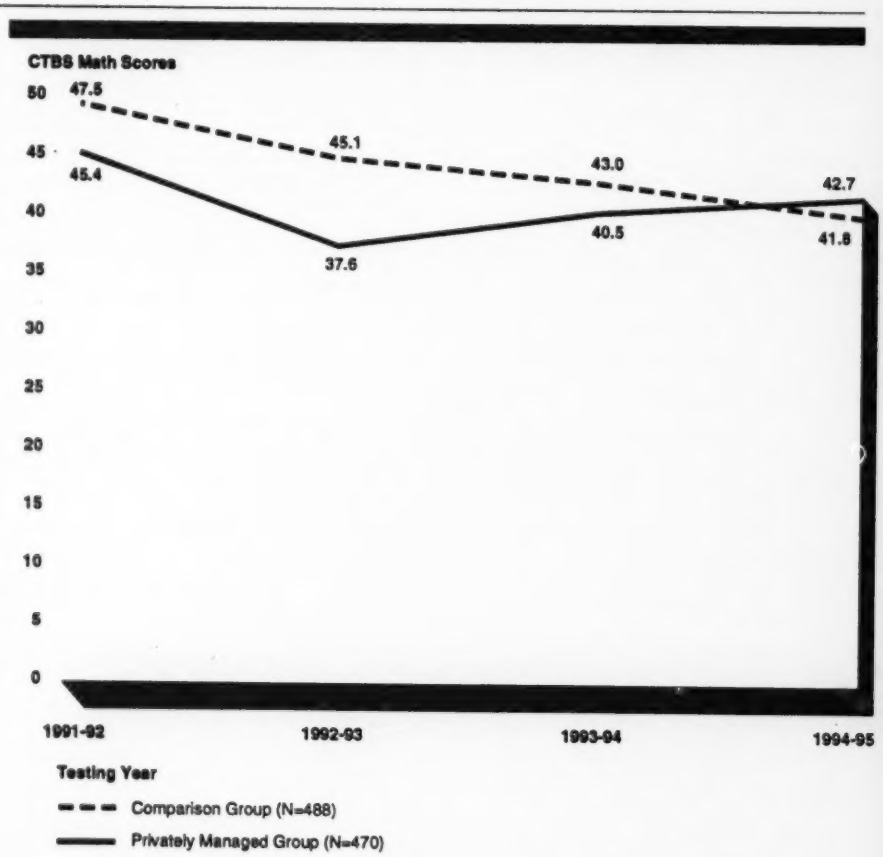
Figure II.1: Longitudinal Analysis: CTBS Reading Scores



Note: Means reported in this graph illustrate changes in average scores over time. They have not been adjusted for variation accounted for by 1992 test scores. After adjusting for this initial difference, no significant difference was found between scores of students in the privately managed group and scores of students in the comparison group.

Although year-to-year changes were sometimes significantly different between the privately managed and comparison groups, offsetting patterns of increase and decline resulted in an overall finding of no statistically significant difference in reading after adjusting for the presence of initial difference. As figure II.2 shows, the pattern of change in math scores from year to year was similar to that found in the reading scores. Although both groups declined in the first year, the decline in the privately managed schools was greater. However, in the following years, scores in the privately managed schools increased, while the scores in the comparison group continued to decline.

Figure II.2: Longitudinal Analysis: CTBS Math Scores



Note: Means reported in this graph illustrate changes in average scores over time. They have not been adjusted for variation accounted for by 1992 test scores. After adjusting for this initial difference, the overall decline in scores was somewhat greater for the privately managed group.

Unlike reading scores, however, when the 3 years are considered together, the decline in math scores in the privately managed group was statistically significant, even though the 1994-95 scores of the privately managed group were slightly higher than the comparison group's. This finding of overall difference between the two groups may be accounted for largely by the substantial decline in scores in the privately managed group in 1992-93, the implementation year.

Figures II.3 and II.4 depict the pattern of change over the years expressed in change from the groups' 1991-92 averages. The initial decline both in reading and math scores is apparent in these figures. For both reading and math, after this initial large decline, scores in the privately managed group show a pattern of steady improvement.

Figure II.3: Changes in CTBS Reading Scores (Longitudinal Analysis)

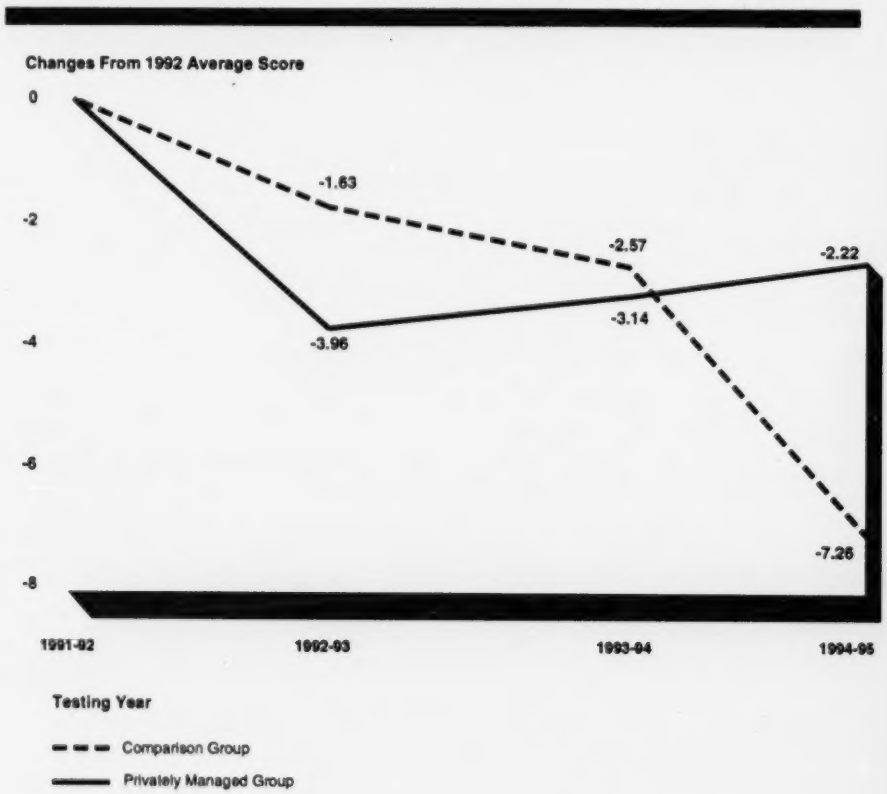
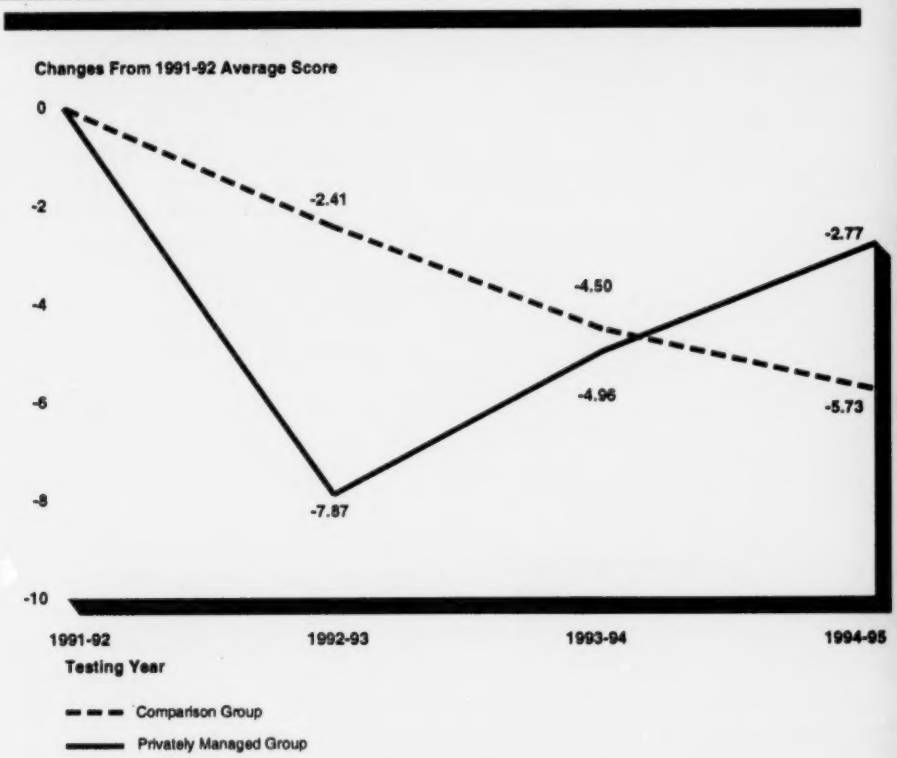


Figure II.4: Changes in CTBS Math Scores (Longitudinal Analysis)



Cross-Sectional Analyses

Results of the cross-sectional analyses were similar to those of the longitudinal analysis. Overall, we found little difference in student achievement in privately managed and comparison schools. When MSPAP scores were used as the outcome measure, no significant difference was found between the privately managed group of students and the comparison group in either reading or math scores. (Tables III.2 and III.4 in app. III show school-level and overall effects sizes[28] for the MSPAP analyses.)

Tables III.6 and III.9 (in app. III) show similar findings using CTBS scores as the outcome measure. Although small, the cumulated effects for CTBS scores in both reading and math were statistically significant in favor of the comparison group. However, effects of this small size are not

[28]Effect sizes are measures of the overlap between the distributions of the experimental and control groups when the underlying scale has been standardized so that σ equals 1. See app. I for additional information on interpreting effect size.

conventionally considered to have practical educational significance. (See app. I for additional discussion of interpreting effect sizes.)

Because the cross-sectional analyses were done at the school level, these analyses revealed the variation in effect among pairs of schools. In some pairs, students in the privately managed school performed better; in others, students in the comparison school performed better. In most cases, the effects were relatively small.

Three of the seven privately managed schools (Dr. Rayner Browne, Harlem Park Elementary, and Sarah M. Roach), however, show a more definite pattern of underperformance compared with their matched schools. In these cases, effect sizes were great enough to warrant further attention. Determining whether this underperformance is an artifact of the comparison or a result of some change in the privately managed school or in the comparison school is beyond the scope of this study.

Attendance Analyses

Overall, our analyses of student attendance data showed little difference between attendance patterns of students in privately managed schools and students in comparison schools. We found no difference in the number of days absent for nonmobile students (those remaining in the same school for the 3 years) in the longitudinal analysis and little difference when the entire student population was considered in the cross-sectional analysis.

Longitudinal Analyses

Our longitudinal analysis of attendance data revealed that attendance patterns of nonmobile students attending privately managed schools were similar to attendance patterns of nonmobile students attending comparison schools. When we analyzed attendance of nonmobile students in privately managed and comparison schools, we found no significant difference between the groups. Both groups showed a general pattern of improved attendance for the period. (Table III.10 in app. III presents these results.)

Cross-Sectional Analysis

Our year-by-year analysis of the period also showed a general trend toward improved attendance for both privately managed and comparison groups. As table III.11 (in app. III) shows, no significant difference existed in attendance rates of students attending privately managed schools and students attending comparison schools in 1992-93, the first year of private management. However, in 1993-94 students in the privately managed

schools were absent, on average, about 3 days per year more than students in the comparison schools. In 1994-95, this difference declined to 1 day a year. Findings for both 1993-94 and 1994-95 were statistically significant.

Data Supporting the Baltimore Test Score and Attendance Analyses

Table III.1: Pairs of Schools in the Analyses

	Privately managed school	Comparison school
Pair 1	Dr. Rayner Browne	Furman L. Templeton
Pair 2	Mildred Monroe	Park Heights
Pair 3	Harlem Park Elementary	Pimlico
Pair 4	Edgewood	Hilton
Pair 5	Sarah M. Roach	James Mosher
Pair 6	Mary E. Rodman	Liberty
Pair 7	Graceland Park-O'Donnell Heights	Charles Carroll, Barrister

Table III.2: Means and Effect Sizes, MSPAP Reading Scores

	1992-93			1994-95			
School	Grade 3	Grade 5	School effect size	Grade 3	Grade 5	School effect size	Cumulated effect
Dr. Rayner Browne	444	469	-.03	451	458	+.23	+.10
Furman L. Templeton	447	469		430	457		
Mildred Monroe	456	480	+.19	431	487	-.24	0
Park Heights	450	470		465	481		
Harlem Park Elementary	434	469	-.21	443	446	-.43[a]	-.33
Pimlico	461	465		467	465		
Edgewood	464	487	+.04	473	474	-.11	-.04
Hilton	468	479		483	474		
Sarah M. Roach	474	488	-.09	456	484	-.24	-.17
James Mosher	483	485		491	475		
Mary E. Rodman	450	465	+.11	456	456	-.26	-.07
Liberty	451	453		462	476		
Graceland Park-O'Donnell Heights	455	469	-.37	453	459	-.22	-.29
Charles Carroll, Barrister	487	473		459	474		
Overall effect							-.12

Note: Effect sizes are measures of the overlap between the distributions of the experimental and control groups when the underlying scale has been standardized so that $\sigma = 1$. See app. I for additional information on interpretation of effect sizes.

[a]Significantly different from 0 to .05 level.

Table III.3: Ns and Variances for Effect Sizes, MSPAP Reading Scores

	1992-93		1993-94		Cumulated effect
School	σ^2	N	σ^2	N	σ^2
Dr. Rayner Browne	.027	63	.025	69	.052
Furman L. Templeton		94		98	
Mildred Monroe	.031	56	.037	54	.068
Park Heights		75		58	
Harlem Park Elementary	.019	88	.015	128	.034
Pimlico		139		156	
Edgewood	.015	110	.014	128	.030
Hilton		165		154	
Sarah M. Roach	.023	107	.021	101	.044
James Mosher		75		97	
Mary E. Rodman	.012	188	.013	184	.025
Liberty		146		133	
Graceland Park-O'Donnell Heights	.029	80	.028	84	.057
Charles Carroll, Barrister		66		63	
Overall effect					.006

Table III.4: Means and Effect Sizes, MSPAP Math Scores

	1992			1993-94			Cumulated
School	Grade 3	Grade 5	Effect size	Grade 3	Grade 5	Effect size	effect
Dr. Rayner Browne	450	470	+.49[a]	473	472	+.74[a]	+.61[a]
Furman L. Templeton	422	456		424	447		
Mildred Monroe	450	462	+.33	432	487	-.01	+.17
Park Heights	418	464		474	461		
Harlem Park Elementary	434	467	-0.62[a]	446	448	-.47[a]	-54[a]
Pimlico	469	490		475	462		
Edgewood	483	487	+.66[a]	493	458	+.05	+.35
Hilton	448	464		485	461		
Sarah M. Roach	489	469	-.39[a]	453	457	-.87[a]	-.63[a]
James Mosher	484	513		512	474		
Mary E. Rodman	437	449	+.22	454	461	-.16	+.03
Liberty	437	436		487	448		
Graceland Park-O'Donnell Heights	452	460	-0.32	456	444	-0.30	-.31
Charles Carroll, Barrister	480	462		477	468		
Overall effect							-.05

Note: Effect sizes are measures of the overlap between the distributions of the experimental and control groups when the underlying scale has been standardized so that $\sigma = 1$. See app. I for additional information on interpretation of effect sizes.

[a]Significantly different from 0 at .05 level.

Table III.5: Ns and Variances for Effect Sizes, MSPAP Math Scores

	1992-93		1993-94		Cumulated effect
School	σ^2	N	σ^2	N	σ^2
Dr. Rayner Browne	.029	57	.031	58	.060
Furman L. Templeton		98		86	
Mildred Monroe	.034	53	.040	50	.074
Park Heights		73		57	
Harlem Park Elementary	.018	103	.017	109	.035
Pimlico		137		136	
Edgewood	.016	105	.016	113	.032
Hilton		168		144	
Sarah M. Roach	.026	106	.026	85	.051
James Mosher		68		89	
Mary E. Rodman	.013	181	.013	179	.026
Liberty		145		131	
Graceland Park-O'Donnell Heights	.030	75	.027	76	.057
Charles Carroll, Barrister		63		53	
Overall effect					.006

Table III.6: Means and Effect Sizes, CTBS Reading Scores

School	1992-93		1993-94		1994-95		Cumulated effect
	Mean	Effect size	Mean	Effect size	Mean	Effect size	
Dr. Rayner Browne	28.3	−.45[a]	32.3	−.21[a]	30.4	−.43[a]	−.36[a]
Furman L. Templeton	37.0		36.7		38.9		
Mildred Monroe	36.0	−.05	43.2	+.07	42.6	−.05	−.01
Park Heights	36.8		41.9		43.6		
Harlem Park Elementary	32.2	−.54[a]	30.3	−.60[a]	37.2	−.06	−.41[a]
Pimlico	42.4		42.0		38.6		
Edgewood	49.0	+.03	47.5	−.09	47.5	+.14	+.02
Hilton	48.5		49.4		44.7		
Sarah M. Roach	41.6	−.30[a]	38.2	−.52[a]	42.4	−.48[a]	−.43[a]
James Mosher	47.6		48.6		53.3		
Mary E. Rodman	41.0	−.02	38.8	.00	45.3	+.10	+.02
Liberty	41.3		38.9		43.1		
Graceland Park-O'Donnell Heights	35.7	.00	33.6	−.34[a]	35.8	−.22[a]	−0.19[a]
Charles Carroll, Barrister	35.6		39.8		40.2		
Overall effect							−.17[a]

Note: Effect sizes are measures of the overlap between the distributions of the experimental and control groups when the underlying scale has been standardized so that σ =1. See app. I for additional information on interpreting effect sizes.

[a]Significantly different from 0 at .05 level.

Table III.7: Ns and Variances for Effect Sizes, CTBS Reading Scores

	1992-93		1993-94		1994-95		Cumulated effect
School	σ^2	N	σ^2	N	σ^2	N	σ^2
Dr. Rayner Browne	.008	216	.007	252	.009	219	.003
Furman L. Templeton		315		330		269	
Mildred Monroe	.009	193	.010	180	.010	186	.003
Park Heights		302		235		212	
Harlem Park Elementary	.005	406	.005	435	.005	366	.002
Pimlico		470		475		452	
Edgewood	.005	403	.005	386	.005	347	.002
Hilton		498		474		449	
Sarah M. Roach	.006	353	.006	346	.006	313	.002
James Mosher		311		311		330	
Mary E. Rodman	.004	587	.004	560	.004	536	.001
Liberty		478		436		412	
Graceland Park-O'Donnell Heights	.008	280	.007	321	.008	321	.003
Charles Carroll, Barrister		235		235		219	
Overall effect							.000

Table III.8: Means and Effect Sizes, CTBS Math Scores

School	1992-93		1993-94		1994-95		Cumulated effect
	Mean	Effect size	Mean	Effect size	Mean	Effect size	
Dr. Rayner Browne	28.2	−.42[a]	32.0	−.16	32.02	−.41[a]	−.32[a]
Furman L. Templeton	36.9		35.1		41.8		
Mildred Monroe	39.2	+.12	46.7	+.17	47.5	+.23[a]	+.17[a]
Park Heights	36.7		43.2		42.7		
Harlem Park Elementary	32.4	−.50[a]	37.2	−.30[a]	37.9	−.04	−.28[a]
Pimlico	43.0		44.0		38.7		
Edgewood	49.5	+.04	51.4	+.12	51.3	+.27[a]	+.14[a]
Hilton	48.6		48.6		45.0		
Sarah M. Roach	37.7	−.51[a]	39.0	−.38[a]	48.8	−.12[a]	−.34[a]
James Mosher	48.3		47.2		51.5		
Mary E. Rodman	38.3	−.01	39.5	+.12	47.4	+.27[a]	+12[a]
Liberty	38.6		36.9		41.0		
Graceland Park-O'Donnell Heights	36.8	+.11	35.4	−.17[a]	40.6	−.09[a]	−.05
Charles Carroll, Barrister	34.5		38.9		42.4		
Overall Effect							−.08[a]

Note: Effect sizes are measures of the overlap between the distributions of the experimental and control groups when the underlying scale has been standardized so that σ =1. See app. I for additional information on interpreting effect sizes.

[a]Significantly different from 0 at .05 level.

Table III.9: Ns and Variances for Effect Sizes, CTBS Math Scores

	1992-93		1993-94		1994-95		Cumulated effect
School	σ^2	N	σ^2	N	σ^2	N	σ^2
Dr. Rayner Browne	.010	175	.009	200	.010	173	.003
Furman L. Templeton		260		280		233	
Mildred Monroe	.010	166	.012	152	.012	154	.004
Park Heights		249		196		171	
Harlem Park Elementary	.006	338	.005	351	.006	300	.002
Pimlico		399		399		377	
Edgewood	.005	341	.006	321	.006	291	.002
Hilton		431		410		379	
Sarah M. Roach	.008	302	.007	291	.007	275	.003
James Mosher		251		261		264	
Mary E. Rodman	.005	484	.005	471	.005	437	.002
Liberty		388		367		340	
Graceland Park-O'Donnell Heights	.009	232	.009	249	.009	271	.003
Charles Carroll, Barrister		195		191		176	
Overall effect							.000

Table III.10: Days Absent (Longitudinal Analysis)

	1991-92	1992-93	1993-94	1994-95
Students in privately managed schools (N=870)	13.8	12.1	9.5	9.7
Students in comparison schools (N=855)	13.4	13.0	8.6	9.4

Note: Significance test of overall difference not significant at .05 level.

Table III.11: Days Absent (Cross-Sectional Analysis)

	1991-92	1992-93	1993-94	1994-95
Students in privately managed schools	14.0 (N=2,425)	14.4 (N=3,118)	13.0[a] (N=3,127)	12.9[a] (N=2,961)
Students in comparison schools	14.0 (N=2,490)	14.9 (N=3,242)	10.2 (N=3,103)	11.8 (N=3,049)

[a]Differences found in 1993-94 and in 1994-95 were statistically significant at .05 level.

Comments From the Baltimore City Public School District

CITY OF BALTIMORE
KURT L. SCHMOKE, Mayor

DEPARTMENT OF EDUCATION
WALTER G. AMPREY
Superintendent of Public Instruction
200 E. North Avenue
Baltimore, Maryland 21202

March 18, 1996

Ms. Cornelia M. Blanchette
Associate Director
Education & Employment Issues
Health, Education, and Human Services Division
United States General Accounting Office
Washington, D.C. 20548

Dear Ms. Blanchette:

I am writing in response to your request for comments on the draft report, Private Management of Public Schools: Early Experiences in Four School Districts. My staff and I have reviewed the document and we have no recommended changes or concerns about its contents. The report appears to state the facts of findings without excessive judgmental statements.

Although we have ended our relationship with Education Alternatives, Inc., we feel there is much to be learned from our experience with privatization. The Baltimore City Public Schools plans to continue to implement EAI strategies and programs which have proven successful and beneficial for our students.

Thank you for giving us the opportunity to comment. If we can be of further assistance, please call.

Sincerely,

Walter G. Amprey
Superintendent

/pvg

gao.396

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Comments From Dade County Public Schools

DADE COUNTY PUBLIC SCHOOLS

SCHOOL BOARD ADMINISTRATION BUILDING • 1450 NORTHEAST SECOND AVENUE • MIAMI, FLORIDA 33132

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Superintendent of Schools

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Ms. Frederica S. Wilson

March 13, 1996

Ms. Cornelia M. Blanchette
Associate Director, Education
and Employment Issues
U. S. General Accounting Office
Washington, D. C. 20548

Dear Ms. Blanchette:

In reviewing a copy of the draft report entitled, Private Management of Public Schools: Early Experiences in Four School Districts (GAO/HEHS-96-3), the following observations/comments are made regarding the Dade County Public Schools (DCPS), South Pointe Elementary program.

- On page 19, it should be noted that at South Pointe Elementary, exceptional education certified teachers worked with classroom teachers in self-contained settings to provide services for special education children.
- On page 28, it should be noted that Education Alternatives, Inc. (EAI) was unable to raise the total amount of money stipulated in the contract.
- On pages 44 and 45, it should be noted that both South Pointe students and students at a similar elementary school had a similar increase in standardized test scores.

Thank you for providing us the opportunity to review and respond to information contained in the enclosed draft report.

Sincerely,

G Holmes Braddock

G. Holmes Braddock, Chair
Dade County School Board

GHB/mev

cc: School Board Members

Comments From the Hartford School District

THE HARTFORD BOARD OF EDUCATION
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March 12, 1996

Cornelia M. Blanchette
Associate Director, Education and Employment Issues
United States General Accounting Office
Health, Education and Human Services Division
Washington, D.C. 20548

Dear Ms. Blanchette:

I am writing in response to your letter of February 27, 1996 inviting the Hartford Board of Education to comment on the draft of your proposed report on Private Management of Public Schools: Early Experiences in Four School Districts.

At the outset, it is critical to clarify the fundamental structure and essential terms of the Contract between the Hartford Board of Education and Education Alternatives of Connecticut, Inc. (EAI), a subsidiary of Education Alternatives, Inc. At its core, the contract provides that, in exchange for the right to participate financially in efficiencies and savings that EAI believed it could bring about in Hartford through improved management, EAI agreed to invest over $21 million in the Hartford school system for computer technology and facilities improvement, as well as to provide ongoing management services, without any guarantee of reimbursement or payment. EAI thus assumed a significant risk, agreeing that it would be reimbursed for its investments and expenses and paid for its own services, only to the extent that monthly systemwide spending fell short of the annual school appropriation, based on historical spending patterns. If, and to the extent that, such a shortfall occurred, and so called "savings" resulted, EAI would be reimbursed for its expenses, be paid for its services, and receive a portion of any remaining amount as an incentive or bonus.

EAI's promise to make these substantial investments in the Hartford system at its own financial risk, and its willingness to receive reimbursement only if and when its efforts produced efficiencies or savings, were key incentives for the Board to enter into the agreement. And, although the contract did place risk with EAI, it also provided EAI with several important tools by which it could minimize that risk. Chief among those tools was the provision that an EAI employee would serve as the Board's Business Manager, and have responsibility to supervise all of the school system's financial operations, subject only to the direction of the superintendent and Board. In addition, the contract provided that EAI would install new financial management systems and controls, and (upon installation) that it would assume responsibility for procurement of all goods and

services and payment of the Board's payroll, so that EAI could most effectively participate in and manage all aspects of the Board's finances.

In order to provide for an orderly transition of procurement, payroll, and financial responsibilities to EAI, the Board and EAI included as part of their contract, a Transition Plan (Exhibit B) and a Memorandum of Understanding. The Transition Plan sets forth the parties' agreement concerning the schedule for EAI's assumption of key responsibilities, and the Memorandum of Understanding sets forth how the new systems that were needed to support EAI's assumption of payroll, procurement, and other financial functions and to coordinate them with City systems would be developed and implemented.

Unfortunately, EAI and the Board never progressed out of the transition period even though it was expected that the transition would be complete no later than June 30, 1995. In fact, the systems and coordination that were to be implemented pursuant to the Memorandum of Understanding, and that were needed to permit EAI to assume full responsibility for the Board's key financial functions, were never developed, much less put in place. As a result, the groundwork was never laid by which EAI could have performed these functions.

In addition, although EAI did make some investments in terms of buying new computers and effecting some facility improvements, those investments focused on only a few of the district's thirty two schools. In fact, it was EAI who suggested that it prioritize its efforts in only six schools (only five of which were ever completed) in order to achieve showcase results quickly, as a strategy to build community support. The Board agreed to this prioritization, but did not expect that EAI would abandon other schools or other important services being provided centrally. Although no significant savings were reaped during EAI's tenure in Hartford, EAI did receive payment in the amount of approximately $343,000 pursuant to the contract.

EAI and the Board have been disappointed that more efficiencies and savings were not generated, and that the opportunities for payment of EAI under the contract were limited. It is not accurate, however, to say that budget problems or community opposition lead to termination of the EAI contract in Hartford. To the contrary, the EAI relationship has broken down, and will be terminated, because EAI concluded and stated to the Board that it would not operate under the contract as written. Despite months of negotiations, the parties could not agree upon an alternative payment plan that would allow the relationship to continue.

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The Board's specific comments on the draft are as follows:

Draft Page	Comment
Page 3, 2nd Para	Neither opposition nor the district's budgetary problems prevented EAI from implementing the contract. Instead, EAI delayed filling the key positions of Business Manager (renamed as District Financial Officer) and Project Manager for several months after signing the contract, when the transition phase should have been all but completed. Thereafter, neither the Business Manager nor the Project Manager took the steps that were necessary to move the relationship out of the transition phase or perform the functions needed to support EAI's assumption of responsibility for procurement, payroll, and other financial functions, as outlined in the Memorandum of Understanding, which is attached to the contract. In addition to failure to implement the financial management aspects of the contract, EAI failed to make the promised investments of computer technology and facility improvements in most Hartford schools. As noted above, it was EAI's preference to focus on six of thirty two schools as a priority, so that it could more immediately showcase its efforts to the community and garner public support.
Page 4, 2nd para	Although EAI increased the number of computers in Hartford, this did not give each student greater access to a computer, because computers were added to only five of thirty-two school facilities.
Page 4, 3rd para	As noted above, neither budget constraints nor opposition have lead to termination of the Hartford contract.
Page 5, 3rd para	As noted above, Hartford's contract with EAI called for EAI to assume responsibility for the district's procurement, payroll and other financial functions, and permited EAI to receive payment and reimbursement of its expenses if, and to the extent that, spending did not exceed the annual school appropriation. At the end of the school year, the amount by which the appropriation exceeded reimbursement and payment to EAI, if any, was then to be distributed between EAI, the Hartford Board of Education and the City of Hartford. Accordingly, the contract does not call for the district's appropriation and grant money to be paid to EAI in monthly installments. Nor do EAI and the district divide appropriation or grant money remaining after expenses have been paid. Instead, the contract provides that EAI would be reimbursed its expenses and paid for its services before any net amount would become available for distribution to EAI, the district and the City as a "bonus."

61

Page 6, 3rd para	Although EAI met with opposition in Hartford, **neither the opposition nor budget constraints caused termination of the contract.**
Page 7, 1st para	Although opposition to EAI did reach its peak when EAI submitted a proposal that would eliminate a substantial number of teachers' jobs, resistance was not based solely on sympathy with the teachers' union. Board members and others quickly recognized that EAI's proposal not only contradicted EAI's earlier commitments, but would have resulted in substantially larger class sizes and produced massive violations of class size limitations contained in the district's collective bargaining agreement with its teachers' union.
Page 7, 3rd para	**At no time was Hartford unable or unwilling to pay EAI in accordance with the contract terms** for budgetary or other reasons. As noted above, EAI has been paid all that it is owed (approximately $343,000) pursuant to the contract. Additionally, as noted above, the district did not scale back EAI's involvement. Instead, EAI itself developed the strategy to prioritize and focus on a handful of schools.
Page 7, 3rd para	**Hartford never denied EAI control of its appropriation as the contract contemplated.** Instead, EAI never took the steps clearly outlined in the contract as those necessary to assume responsibility for the district's procurement, payroll, and other financial functions.
Page 7, 3rd para	Hartford announced it would terminate its contract with EAI in January, not because it was uncertain whether it could reimburse EAI, but because it could not come to agreement with EAI on new payment terms, and EAI was unwilling to continue to perform under the existing contract.
Page 16, 4th para	Hartford does not have 16 percent of the state's special education students. Instead, about 16 percent of Hartford's students are special education students.
Page 29, 1st para	There were no assurances of any kind that EAI's investment would be reimbursed.
Page 29, 3rd para	The Contract did not provide that Hartford's annual appropriation and grant money were to be paid to EAI. Instead, the contract contemplated that EAI would assume responsibility for the Board's payroll, procurement, and certain other functions, and receive reimbursement (from the school appropriation) for payments made on the district's behalf.

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Page 30, 1st para	**It is inaccurate to say that EAI was never given control over Hartford's budget as contemplated under the contract. EAI never took the steps that EAI agreed had to be taken before it could assume responsibility for the Board's financial functions.**
Page 30, 2nd para	**EAI's compensation was not to be half of net "savings."** As noted above, EAI would receive reimbursement of its expenses and payment for its services to the extent of the difference between spending and the school appropriation and grant money. If some portion of the school appropriation and grant money remained after payment of all school and EAI expenses and payment for EAI services, those amounts would be shared between EAI, the Board and the City.
Page 37, 3rd para	As noted above, **at no time was Hartford unable to pay EAI in accordance with the contract terms.** Instead, the Board did pay EAI in accordance with the contract terms. Moreover, neither opposition nor inability to pay EAI motivated the district to reduce its effort nor prevented EAI from implementing the contract.
Page 38, 1st para	**It is misleading to state that the Hartford Board reported that it was unable to provide assurances it could repay EAI for its investments.** Instead, EAI was always well aware that it had no assurance that it would be repaid for its investments. In fact, that fact that EAI was willing to assume this risk was a major inducement to the Board in entering into the relationship.
Page 38, 2nd para	**EAI did not invest with the expectation that Hartford would reimburse it.** As noted, EAI entered into the contract and agreed to make substantial investment without any assurance that its investment would be repaid.
Page 44, 1st para	**EAI was not singly responsible for securing a zero increase in the teachers' salaries.** The teacher's contract referred to was the product of an interest arbitration conducted by the State Department of Education. Although EAI's attorney served on the negotiation team for the negotiations and provided valuable input, EAI neither acted as the Board's chief negotiator or chief advocate for the teacher negotiations or the arbitration that followed, and can not claim sole or even major responsibility for the result.

63

Enclosed is a copy of the contract between the Hartford Board and EAI for your information, including the Transition Plan (Exhibit G) and Memorandum of Understanding. I would be happy to provide any additional information that might be of assistance to your efforts.

Also enclosed are all copies that were made of the materials you provided to us.

Thank you for the opportunity to provide the Hartford Board of Education's comments.

Sincerely,

Stephanie S. Lightfoot
President, Hartford Board of Education

Comments From EAI

Schools
That
Work.

March 13, 1996

Ms. Cornelia M. Blanchette
Associate Director, Education and Employment Issues
United States Government Accounting Office
Health, Education and Human Services Division
Washington, D.C. 20548

Dr. Philip E. Geiger
President

Dear Ms. Blanchette:

This letter is written in response to the February 27, 1996, transmission of the draft report, *Private Management of Public Schools: Early Experiences in Four School Districts* (GAO/HERS 96-3). You indicated that our comments would be included in whole or part. In some instances, we believe that the comments herein constitute major interpretive differences that affect the conclusions derived from the data and would recommend that they be considered prior to the final report being issued. Potentially, after reviewing these items, you may agree with us that a change must be made in the body of the report and not merely appear as an exception or comment.

Testing Information

In particular, we are very concerned that the base year for determing the academic performance of students, as measured by the Comprehensive Test of Basic Skills, is Spring 1992. In fact, Education Alternatives Inc. was awarded a contract to manage nine schools in July 1992 and the first order of priority required Education Alternatives to focus its attention on failures of the physical plant and safety issues. These schools were literally transformed over several weeks in what has been described by Councilman Rev. Norman Handy as an "oasis in an otherwise desert of a community".

Education Alternatives commenced staff development in September 1992, but immediately received resistance from staff, many of whom boycotted the inservice programs in protest of the Board's utilization of a private contractor. These programs continued to develop over the next several months when more and more staff participated. By February 1993, approximately 1100 computers were installed in these schools, loaded with *Success Maker* software and fully networked in the school environments. Since the CTBS test was again given in March 1993, we certainly believe that the 1993 testing date is a far more accurate baseline than March 1992.

Clearly, any measurement of program success requires that the program be implemented prior to being measured. In Baltimore, for example, students identified for the Sylvan Learning project are evaluated at the beginning and end of their treatment periods, but the mere identification of a student for a program without the

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administration of the "treatment" would be an inappropriate assessment. Yet, this is exactly what is occurring when the GAO utilizes 1992 test results as the baseline for evaluating this program.

When one utilizes the more appropriate March 1993 baseline, you see that students receiving the Tesseract program and remaining in the program through 1995 generally outperform all comparison groups, on average, including the Barclay Calvert School that American Federation of Teachers President Albert Shanker regards as an urban model. In addition, the data clearly indicates that students who commence the program early in their school career do even better than those who started in higher grades. Finally, when one realizes that a gain of "0" NCE points from year to year reflects a full year's growth annually, the results of the assessments for students who have remained in their respective reference groups from March 1993 to May 1995 have developed quite satisfactorily, for all groups, reflecting a perspective that " a rising tide does in fact raise all boats". Because a variety of researchers believe that NCE changes of +/- 3 are significant, we have identified a "band of success" wherein students have generally gained a full year's growth in one year, on average, which for an urban setting is outstanding!

The report fails to note the results of the Maryland State Performance Assessment Program wherein the percentage of Education Alternatives' managed schools far exceeded the overall Baltimore City school results. Further, one of the "model" schools experienced significant decline while Education Alternatives' schools generally improved.

The primary conclusion reached in the report that students did not perform better academically is simply incorrect as evidenced by the testing data attached.

Number of Schools Under Management

In regards to the number of schools under Education Alternatives' management, the report states the company had nine schools under a five year contract. In actuality, one additional school subsequently requested participation as a "managed school" within the project and two school improvement teams also requested, and were granted, involvement as "consulting schools" bringing the total number of schools either managed by Education Alternatives or under a consulting agreement with Education Alternatives to twelve.

Instructional Expenditures

The report states on page three of the executive summary that, "The company also changed spending patterns for the nine schools by spending more on facilities, computer hardware and software, and teaching assistants..." What would be most appropriate is to indicate that the company shifted spending from noninstructional to instructional purposes. In fact, spending on instruction rose in Education Alternatives' managed schools from 47 percent to approximately 61 percent; a pattern contrary to the spending patterns experienced by the school system itself.

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Contract Cancellation

Page four of the executive summary states that Baltimore and Hartford both cancelled contracts due to budget constraints. In Hartford, however, the company ceased services on January 30, 1996, due to the failure of the Hartford School District to pay for services rendered in accordance with the contract. The company issued a letter to the Hartford Board of Education citing sixteen separate breaches of the agreement by the Board of Education.

Further, the Dade County contract with Education Alternatives was for a period of five years. Although there was discussion regarding the possible extension of the contract, there is no intention for the company to serve schools for extensive periods beyond the five year agreements. The belief is that the company should be able to develop the capacity of the school employees and install necessary systems to enable the school and school system to effectively and efficiently deliver services with minimal, if any, support following the partnership period. Therefore, the characterization of the Dade County contract as not being renewed is somewhat misleading since that was never the intention.

Staffing of the Schools

Page seven of the executive summary refers to Education Alternatives' preparation of a school budget in Hartford that "eliminated a substantial number of teachers' jobs," without qualifying the situation that the District has a contract with the AFT that specifically defines teacher pupil ratios and staffing patterns which, when applied, resulted in the system being literally overstaffed by millions of dollars of personnel.

Furthermore, the Board of Education had adopted an early retirement program to reduce the cost of employing higher priced senior employees who the district would not necessarily have to replace, yet the Board in fact filled most of those positions actually increasing its financial obligations since it would have to pay for the new employees while also fulfilling their obligation to the retired employees who received incentives to leave early.

Teacher Interns

Page eight of the executive summary states that teacher interns "often had a college degree." The fact is that all interns had a college degree.

Authority

Page twenty-five of the body of the report states that Education Alternatives was given broad authority in Baltimore. In reality, the company never had adequate control to assure the effective use of the instructional tools provided to the schools. For example, each school was to assure that students utilized the Computer Curriculum software, *Success Maker*, fifteen minutes per day in math and fifteen minutes per day in reading. Where that was accomplished, students did well as evidenced by the report attached prepared by Dr. Mario Zanotti of CCC. Unfortunately, many teachers

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failed to provide this training even though the company provided full time computer lab managers to assist the teacher, provided at least four computers on a distributed network in each classroom, and provided two CCC trainers to coach teachers through the process. In too many instances, the only tools Education Alternatives had to be certain requirements were met was the enthusiasm, encouragement, and cajoling of its site personnel. None of the company's representatives had authority over personnel in the school nor personnel assigned to the project who continued to be employees of the Baltimore City Public Schools and members of the AFT. In other places, where the plethora of resources had been provided teachers, the improvement in student performance has been even more dramatic than experienced in Baltimore.

Purpose of the Hartford Contract

Page twenty-nine of the report does not adequately reflect the prime purpose of the contract with Education Alternatives which was to implement the district's strategic plan. Educational improvements were not even to be seriously measured until the third year of implementation.

Miscellaneous

Page twenty-four of the report states, "...Education Alternatives would not provide the supporting documentation we needed." The GAO wanted to look at invoices and other detailed supporting documentation for expenditures that Education Alternatives felt was superfluous since Arthur Anderson audited the company's financial statements for the periods under review and the additional obligation to make such primary documents available to another group was onerous.

Page twenty-five of the report states that the Hartford contract did not contain requirements for improving student outcomes. While the company's compensation was not linked to student performance, a series of objectives and performance criteria on which Education Alternatives was to be evaluated, including student performance, was part of the contact.

Page twenty-eight of the report states that the Hartford contract became effective July 1994. For financial purposes, the contract became retroactive to October 4, 1994, not July.

Page forty-two of the report stated, "Education Alternatives also provided copiers and fax machines for these schools" with the antecedent being the five Hartford schools that received computer labs. In reality, all thirty-two schools received copy and facsimile equipment.

Conclusion

Clearly, even with the various issues noted above, the trend lines of student performance reflect the hope and opportunity that the programs in Baltimore provided students. In Hartford, the schools were finally beginning to understand and control

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their expenditures, and spend funds more prudently and appropriately. What took decades to destroy was expected to flourish within one to three years, while experiencing distractions and disruptions from union leadership. Teachers, in general were supportive and wanted to see improved student performance, a better environment for the students and themselves, and they were appreciative of the added materials, supplies and equipment.

As the success of these private public partnerships are evaluated, one must recognize that there are good people trying to do a job while union operatives "circling the wagons" in hope of maintaining the status quo. For many of these troubled urban school systems, the school system has become a "job mill" and the focus has and continues to be on the adults in the system rather than then children.

Sincerely,

Philip E. Geiger

69

Comments From the Minneapolis School District and PSG

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March 20, 1996

Cornelia M. Blanchette
Associate Director, Education
and Employment Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Ms. Blanchette:

Thank you for providing us with the opportunity to comment on the draft GAO report: Private Management of Public Schools: Early Experiences in Four School Districts. Enclosed are the copies sent to both Peter Hutchinson of our firm, and to Bill Green, Chair of the Minneapolis School Board. I apologize for the delay in their return to you.

Our comments on the draft are as follows:

Page 3, First paragraph:

Changing the last sentence of the paragraph to read as follows would more accurately characterize our contract with the Minneapolis Public Schools:

"PSG has a three-year contract with the Minneapolis School District to provide leadership to the district, including a superintendent, and to achieve certain specific goals, such as improve students' test scores and attendance, and reduce suspensions."

Page 6, First paragraph:

The fee for superintendent services is also paid on a pay-for-performance basis. As such, we suggest the following changes:

Lines 2 & 3: "Under the contract, PSG would receive a monthly fee of $5,000 for serving as superintendent."

Beyond Bureaucracy

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Letter to GAO
Page 2
March 20, 1996

Lines 9-11: "~~With the exception of the superintendent's salary,~~ PSG would only be paid if the district was satisfied with PSG's progress ~~as superintendent~~ and in meeting the contract goals."

Page 17

In the first descriptive paragraph about the Minneapolis District, change the school year referenced from 1992-93, to ~~1994-95~~ for the data regarding the number of families receiving AFDC benefits and the percent of free and reduced lunches. The data is the same; the year referenced as "the latest for which data is available" is inaccurate.

In lines 4-7 of the second descriptive paragraph, the following figures are updated:

"In school year 1994-95, 38.8 percent were African American children, 12.1 percent Asian American, 3.7 percent Hispanic American, 6.8 percent Indian American, and 38.6 percent white American."

Page 19

We suggest you add a final sentence to the paragraph describing KPMG, et.al.'s involvement with EAI.

"The company's compensation is tied to operating savings it produces within the schools and school system."

Re: The Public Strategies Group (also page 19)

We suggest the following modification in lines 4-9 of that paragraph:

"The company focuses on ~~strategy development, executive development, reform of administrative systems, redesign of specific services, and quality improvement and customer service.~~ six main strategies: 1) Clarify purpose, 2) Define success, 3) Improve performance continuously, 4) Support school communities as centers of performance, 5) Make district offices accountable to those they serve, and, 6) Build a culture and the leadership necessary to sustain achievement, courage, trust and collaboration. The company's stated goal is to ~~cultivate~~ develop current ... expires."

Beyond Bureaucracy

Letter to GAO
Page 3
March 20, 1996

We also suggest adding the following as a final sentence:

"The company's compensation is tied to results in a "pay-for-performance" contract."

Page 23, final paragraph

We suggest the following edit:

"Of the four school districts we visited, Baltimore City and Hartford were the only districts in which ~~the company was to manage~~ school or district budgets were to flow through the private company."

Page 31, First paragraph

We suggest you delete the first full sentence on this page and substitute the following:

"As superintendent, PSG was responsible for the district's finances but within the District's budget and payable systems."

Page 41, middle paragraph

We suggest the following change in the last sentence of this paragraph provides a more accurate description of the reduction in suspensions:

"The reduction in suspensions, a PSG contract goal, is a result of a change in how students ~~are~~ disciplined is managed, district officials said."

Page 44, third paragraph

Clarify the second sentence of this paragraph by including:

"Similarly, in the Minneapolis... did not improve, although PSG had been under contract for only 18 months."

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This represents the majority of our comments on the information enclosed within the report. There are additional corrections written into the report to improve the consistency of the changes we have suggested above, as in places where inaccurate information was repeated.

Finally, I would like to make one additional assertion. I believe this report is quite limited with regard to the benefits to school districts from private management efforts. The ease of contract implementability, new paint, improved facilities and computers for students are all interesting and perhaps, worthy benefits for school districts. However, if these benefits are not directly tied to the principle purpose of the organization — the learning achievement of students — then there is no more accountability in the system with private management or the more traditional means of school district leadership. In fact, the really interesting question is not public vs. private management, but what strategies are best pursued in public education today such that these systems can and will be held accountable for achieving their purpose?

In the Minneapolis District, we believe that our willingness to hold our company accountable for the results it produces for the district is a key to building the same accountability throughout the rest of the system, with teachers in their classrooms, with principals in their schools and with parents and community members outside the school day. We believe this is imperative if we expect success for our students but we do not believe that private management somehow has a monopoly on building systems accountable for achieving their purpose.

Once again, on behalf of The Public Strategies Group, I want to thank you for the opportunity to comment on this report and again apologize for the delay in its return.

Sincerely,

Laurie Ohmann

Laurie Ohmann
Vice President

Beyond Bureaucracy

Acknowledgments

We acknowledge the assistance of the following experts: Dr. Jack Edwards, Defense Manpower Data Center; Dr. John A. Nunnery, Director, Bureau of Educational Research, College of Education at the University of Memphis; Dr. Nambury Raju, Professor of Psychology at the Georgia Institute of Technology; and Dr. Randall R. Robey, Assistant Professor, Curry School of Education at the University of Virginia. These individuals provided valuable assistance for our test score and attendance analyses; however, they do not necessarily endorse the positions taken in the report.

GAO Contacts and Staff Acknowledgments

GAO Contacts

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Acknowledgments

In addition to those named above, the following individuals made important contributions to this report: Lemuel Jackson coauthored the report and led the Minneapolis case study, Patricia Cazares coauthored the report and led the Hartford and Dade County case studies, Benjamin Jordan coauthored the report and assisted with the case studies, Deborah McCormick led the Baltimore test score and attendance analysis and assisted with the case studies, Susan Poling led the contract analysis and assisted with the case studies, Louise DiBenedetto and Suzanne Murphy led the Baltimore expense analysis, and Laurel Rabin and Elizabeth Williams assisted in writing the report.

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